Nation's Business®
The Small Business Adviser

Where To Turn For Franchise Financing

Do-It-Yourself Workers' Comp

New Hope For Firms On Product Liability

Blockbuster Tax Reform

Advocates of sweeping change believe their time has come.



APRIL 1995 - $2.50
Published by U.S. Chamber of Commerce



"SPILLED MILK IS RED INK

Every business can use a stabilizing influence. Whoever thought it would come from the trucks you drive? But it does when it's a GMC TopKick.

STEADY AS IT GOES.

TopKick gives you a choice of suspension system components that can be integrated into a system right for your business' demands. For delicate cargo like produce or electronic equipment, and loads with a low center of gravity, parabolic taper leaf springs provide an exceptionally smooth ride. Parabolics are lighter than multileafs, which leaves more cargo capacity free. They last longer—up to three times as long. Naturally, multileafs are available, too, for shifting loads or loads with a high center of gravity. And for special requirements, there's a 19,000-lb. rear air suspension available.



TOPKICK'S PROGRESSIVE SPRING AID ABSORBS SHOCK BETWEEN FRAME AND SPRINGS ON BOTTOMOUTS. IT'S EASIER ON THE DRIVER AND THE PAYLOAD—BUT TOO THAN CONVENTIONAL BUMP STOPS.



THE AVAILABLE CAT 3116 DIESEL PUMPS OUT FROM 170 TO 275 HP.

STABILITY FOR ALL OCCASIONS.

Of course, a smooth ride depends, too, on the power moving the truck. GMC TopKick offers 6L and 7L gas V8 engines, and the Cat® 3116 diesel in a range of power ratings from 170 all the way up to 275 horsepower.



Joseph Creighton, Owner Austintown Dairy Youngstown, Ohio

– I CAN'T AFFORD THAT."

WORK GETS DONE. MONEY GETS MADE.

TopKick is built with technology to promote a stable bottom line, too. The front fenders are flexible, so they'll give up to six inches on impact. Rear axles and manual transmissions use synthetic lube, with longer change intervals than mineral lube, to reduce maintenance costs.

Finally, TopKick's limited warranty. It's the best in the business*—no one exceeds our coverage in any area, and no one equals it in all of them. To check out the truck that gets your work done call 1-800-462-8782 for a catalog and the name of your nearest dealer.



*Excludes other GM products. See your GMC Truck dealer for terms of this limited warranty.

©1994 GM Corp. All rights reserved. GM, GMC, GMC Truck and TopKick are registered trademarks of General Motors Corporation. Buckle up, America!

GMC TRUCK TOPKICK

THE STRENGTH OF EXPERIENCE

Nation's Business®

Published by U.S. Chamber of Commerce Washington, D.C.



PHOTO: T. MICHAEL KEZA

Major tax-reform plans *include that of House Majority Leader Richard Armey, seated, who advocates a flat rate and a simplified form. His and other lawmakers' proposals are certain to spark vigorous debate in and outside Congress. Cover Story, Page 18.*



PHOTO: BRUCE BUCHANAN

Blue Chip Enterprise *honoree Patricia A. Biedar, left, and daughter Patte turned their firm around. Enterprise, Page 34.*

COVER STORY

18 Blockbuster Tax Reform

Major proposals in Congress to make the tax system simpler and more equitable and to stimulate capital formation will set off broad debate as their full implications, particularly for small businesses, become more apparent.

21—The Growth Of The U.S. Tax System

MANAGING

26 Do-It-Yourself Workers' Comp

A growing number of small companies across the country are cutting costs by joining self-insured pools. Thirty-five states now permit the formation of these groups.

28—The Latest Summary Of Laws And Benefits

MANUFACTURING

29 Small Factories' Big Lessons

Enterprise 2000: Making products competitively in the next century won't be easy, but some entrepreneurs are showing how right now.

LEGISLATION

32 Product-Liability Reform . . . Maybe

The chances look better than ever for genuine change, but no one is relaxing just yet.

ENTERPRISE

34 Learning Curves, Growth Curves

Each of the four national Blue Chip Enterprises demonstrated courage in crisis and went on to craft a solid future.

REGULATION

40 Unfunded And Unloved

Congress is pulling back from saddling business with the costs of social programs—but not all the way.

FAMILY BUSINESS

42 Put On Your Student Hat

Lifelong learning as a family; preparations for the White House Conference on Small Business.

SPECIAL REPORT: OFFICE PRODUCTS

46 For The Leaner And Meaner

A new wave of office technology promises to help small companies do more with less.

FRANCHISING SPECIAL GUIDE

52 Creative Financing That Succeeds

Lenders and franchisors are making it easier for franchisees to get loans.

53—What To Ask
55—Writing A Loan Proposal
56—Directory Of Lenders

FINANCE

62 Small Business Financial Adviser

Industry-specific IRS audits, arbitration for investors, home-office deductions, thwarting check counterfeiters, looking at utility stocks.

WHERE I STAND

72 Tax Reform

Some of Congress' most powerful leaders want to scrap the nation's income-tax system and set up a new way to raise federal revenues. These questions seek your views on general tax-reform issues.

POLL RESULTS

73 Views On Stemming Workplace Violence

Two out of three respondents to the February *Nation's Business* poll of readers believe that employee involvement is essential for preventing violence in the workplace.

VOL. 83, NO. 4

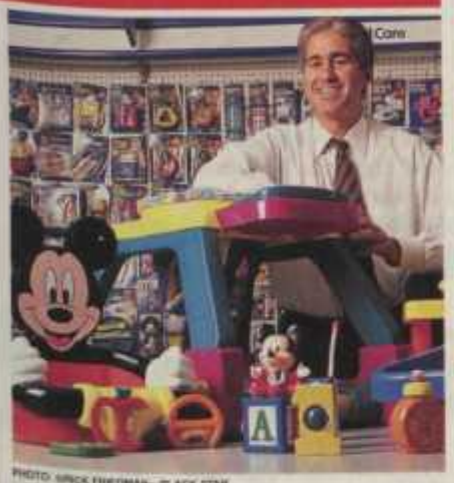


PHOTO: ERICK FRIEDMAN—BLACK STAR

Child-safety *products from Michael Lerner's Safety 1st firm began with a "Baby on Board." Making It, Page 14.*

DEPARTMENTS

4 **Letters**
6 **Entrepreneur's Notebook**
8 **Dateline: Washington**
10 **Managing Your Small Business**
14 **Making It**
66 **Direct Line**
68 **To Your Health**
70 **Classified Ads**
74 **Commentary**
75 **Editorial**
76 **Free-Spirited Enterprise**

Cover Design and Illustration: Michael Rook

Nation's Business (ISSN 0028-0437) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062-2000. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1995 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. For Canadian and other foreign subscriptions, add $20 per year. Second class postage paid at Washington, D.C., and additional mailing offices. Canadian GST Registration #: R131598189. **POSTMASTER:** Send address changes to **Nation's Business**, 4940 Nicholson Court, Kensington, Md. 20895. **To inquire about your subscription, or to make a change of address, please call 1-800-638-6587, or in Maryland, 1-800-352-1450. Photocopy Permission:** Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Drive, Danvers, Mass. 01923, to photocopy any article herein for a flat fee of $1.50 per copy of each article. Send payment to the CCC. Copying without express permission of **Nation's Business** is prohibited. Address requests for reprints to **Nation's Business** Reprints, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-682-4000.

Printed in the U.S.A.

Editor's Note

Is Tax Time Headed For Change?



PHOTO: WIDE WORLD

What would the late congressman and Secretary of State Cordell Hull, right, think if he knew highly respected members of Congress wanted to kill the U.S. income-tax system he helped create? Who knows, but the many Americans who regularly find themselves dreading this time of year might want to look to the future. Three major proposals for throwing out the old system and establishing an all-new system of taxation are gaining attention, and our cover story, beginning on Page 18, explains why the ideas are being taken seriously.

Written by former *Nation's Business* Editor Robert T. Gray, the story describes what proponents of these blockbuster-reform plans hope to accomplish and why.

Your opinions on tax reform would also be appreciated. See our monthly Where I Stand poll on Page 72.

Four outstanding small businesses were recently honored as national Blue Chip Enterprises for 1995 by David E. Sams Jr., left, president and CEO of Connecticut Mutual Life Insurance Co. Our special correspondent, Sharon Nelton, details why these companies are striking examples of what makes American businesses great and why Connecticut Mutual, the U.S. Chamber of Commerce, and this magazine are so proud to be sponsors of this annual awards program. See the companies' stories on Pages 34 through 37.



PHOTO: T. MICHAEL KEZA

In one of our reporting surprises of the month, Senior Editor John S. DeMott found that high-tech methods may not be the answer to competitiveness for some U.S. manufacturers in the years to come. This latest article in our Enterprise 2000 series explains why. See Page 29.

For those who work in offices rather than factories and are eager to incorporate the latest equipment into their operations, see our Special Report on Office Technology by Contributing Editor Jon Pepper on Page 46. Enjoy the issue!

Mary Y. McElveen
Editor

Nation'sBusiness

Letters

The United States Chamber of Commerce, publisher of Nation's Business, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
Dennis W. Sheehan
PRESIDENT
Dr. Richard L. Lesher
SENIOR VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant
VICE PRESIDENT/PUBLISHING
David A. Roe

EDITOR
Mary McElveen
DEPUTY EDITORS
Albert G. Holzinger, Terence F. Shea, Roger Thompson
SPECIAL CORRESPONDENT
Sharon Nelton
SENIOR EDITORS
Joan C. Szabo, Michael Barrier,
John S. DeMott, David Warner
ASSOCIATE EDITORS
Meg Whittemore, Roberta Maynard,
Dennis Fitzgerald, James Worsham
SENIOR WRITER
Laura M. Litvan
CONTRIBUTING EDITORS
Robert T. Gray, Henry Altman, Ripley Hotch, Julie Candler, John L. Ward, Craig E. Aronoff, Jon Pepper, Peter Weaver, Albert B. Ellentuck, Janet L. Wilen, Randy Myers, Mary Rowland, Susan Biddle Jaffe
EDITORIAL ADMINISTRATIVE ASSISTANT
Irma N. Tolliver

ART DIRECTOR
Hans A. Baum
ASSISTANT ART DIRECTOR
Alberto Pacheco
SENIOR DESIGNERS
Kathy Reuter, Kathleen Vetter, Georgia McDonald
SENIOR ARTIST
Michael Rook
PHOTO DEPARTMENT
Laurence L. Levin, photo editor
Frances Borchardt, assistant photo editor
T. Michael Keza, chief photographer
ART PRODUCTION ASSISTANT
Theodora D. Taylor

PRODUCTION DIRECTOR
Heidi Sakai Gioseffi
PRODUCTION COORDINATORS
Stephanie Jankowski, Ginger Tracy Hill
PRODUCTION ADMINISTRATOR
Seretha Armstrong

U.S. ADVERTISING
Robert H. Gotshall, marketing director
(810) 354-1180
Pete McCutchen, Eastern advertising director
(212) 370-1440
Kathleen Brown, administrator
ADVERTISING MANAGERS
Atlanta (404) 393-0140
Rob McWalters
Chicago (312) 346-3526
Richard Knepler
Dallas (214) 827-0404
Richard Chalkley
Southfield, Mich. (810) 354-1180
Richard Tupou, Michael McNew
Los Angeles (213) 651-1406
Tom Bowman
New York (212) 370-1440
Jerry V. Camporino, Neil Haslos,
Bart McDonnell
San Francisco (415) 421-7436
Richard A. Sands

CLASSIFIED ADVERTISING
(202) 463-5640
Marla Scher, director
Debora A. Tydings, account executive

INTERNATIONAL MARKETING
(202) 463-5716
El Motaz Sonbol, director

CIRCULATION
Elizabeth A. Allen, director
Lucy Oliver, manager
Liana Glasco, marketing services manager
Yasemin Washington, circulation coordinator

PROMOTION AND RESEARCH
Janine Grossman, director
Nancy Swanson, research manager
Diane Lewis, promotion coordinator

Values Should Be Taught At Home, Not At Work

Your February cover story, "The Enemy Within," suggests that the best protection against workplace violence lies in the company's culture. Employers are encouraged "to define who they are and how they want their employees to get along with each other."

It strikes me as odd that employers are now being encouraged to teach values that their employees should bring with them. When we gave the responsibility of teaching values to our schools, we ended up with students who learned that using a handgun is an effective way to get respect and solve disagreement.



Perhaps the solution to violence in the workplace lies not with the school or the employer but with each individual. The best place for individuals to learn who they are and how they should get along is in the family.

Paul A. Urbanek
Paul A. Urbanek Insurance
Houston

The Women Victims

The February cover story is your second try at writing about violence in the workplace [see "Combating Crime," March 1994], and you still haven't addressed a key issue: the murder of women employees. Women are more likely than men to be the victims of workplace violence, according to a study from two groups: the National Safe Workplace Institute, and Behavior Analysts and Consultants, Inc. Women are taking an ever-increasing lead in the world of small business. In doing so, they are also increasingly vulnerable.

By the way, have the experts you quote proposed solutions regarding violence that breaks out between different cultural and linguistic groups? Statistics can lull us into thinking that only white, English-speaking males between ages 30 and 45 commit homicides at the job site. My husband and I are currently writing a book about murder in the Hispanic community, and we can assure you that dangers occur when communication is difficult, cultures clash, and law enforcement or security is misdirected in its approach to ethnic minorities.

Trula M. LaCalle, Ph.D.
Psychologist
Damage Control Consultants
Santa Rosa, Calif.

[Editor's Note: For results of the February Where I Stand poll on workplace violence, see Page 73.]

Chains Ought To Broaden Community Involvement

As chairman of the board of a local chamber of commerce, I want to point out the recurring tendency of local managers of national chains to defer responsibility for community affairs to the head office. It is so easy for them to say, "Our company doesn't let us join local organizations."

This is unfortunate in my opinion. As much as we have lately recognized the value of grass-roots efforts (the U.S. Chamber's Grassroots Action Information Network, for example), it is frustrating to find that our financially successful shopping malls are abundant with retailers who have no concept of community.

Richard C. Nelson, President
Nelson & Sons, Inc.
Murray, Utah

Company, Employees Save Through Managed Care

As the chart accompanying the February article "Benefit Costs Hit Record High" showed, medical and related benefits constitute the largest part of worker benefits for most companies. And self-insured companies like mine need to slow the rise of health-care costs while insuring continued excellent care for employees, retirees, and family members.

Like many others, we have turned to managed care to gain control of these costs. And it's working. From the plan's inception in July 1993 through the end of last year, our costs were $18 million less

than we projected they would have been without managed care, and we expect at least $10 million more in savings by the end of this year.

Jean B. Case, M.D.
Corporate Medical Director
Union Carbide Corp.
Danbury, Conn.

Congress Should Leave S Corporations Alone

"Heightened Scrutiny For S Corporations" [January] showed how the Internal Revenue Service is working to catch S-corporation shareholders who avoid paying self-employment taxes by treating wages and benefits as distributions.

While it is clear that some S-corporation owners have not paid their fair share of self-employment taxes, these relatively few abusers have been held up as examples by federal legislators who wish to tax S corporations at a higher rate.

Last year, Congress tried to reclassify S corporations' service-related earnings as wages, thus subjecting the amount to wage-based taxes. Several legislators subsequently considered expanding this approach to *all* S-corporation earnings. If that had been enacted, S-corporation shareholders would have had to pay a 2.9 percent tax *on top of* the 39.6 percent federal income-tax rate.

Clearly, something should be done to correct clear abuses, and the IRS appears to be addressing the current problem by reflexively auditing returns that even suggest impropriety. There is no reason for Congress to penalize 1.6 million S corporations for the trespasses of a few.

Robert A. Blair, Chairman
S-Corporation Reform Project
Washington, D.C.

Home-Business Coverage At Least Four Years Old

Re "Protecting Your Home Business," February: great article on property and casualty insurance for home businesses. The one thing you missed is that such coverage has been available for more than four years through RLI Insurance Co. and the more than 200,000 Independent Insurance Agents. Fireman's Fund and Continental Insurance are Johnny-come-latelies in this arena.

John F. Zimmer III, CPCU, AAI
Zimmer-Blanc Insurance Agency
Lincoln, Neb.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.*

WOW! A 401(k) THAT CAN CURE YOUR COMPANY'S RETIREMENT PLAN HEADACHES! (Just what you'd expect from American Life.)

Frustrated by 401(k)s that come up short on service? Look no further. Because with an American Life 401(k) you benefit from a company with a reputation for offering a full range of investment options–while doing virtually all the work for you.

Your plan is serviced by a local American Life consultant (not someone in some far-off home office). And with "Hotline," you have complete access to your records. Plus, American Life's impressive general account ratings.

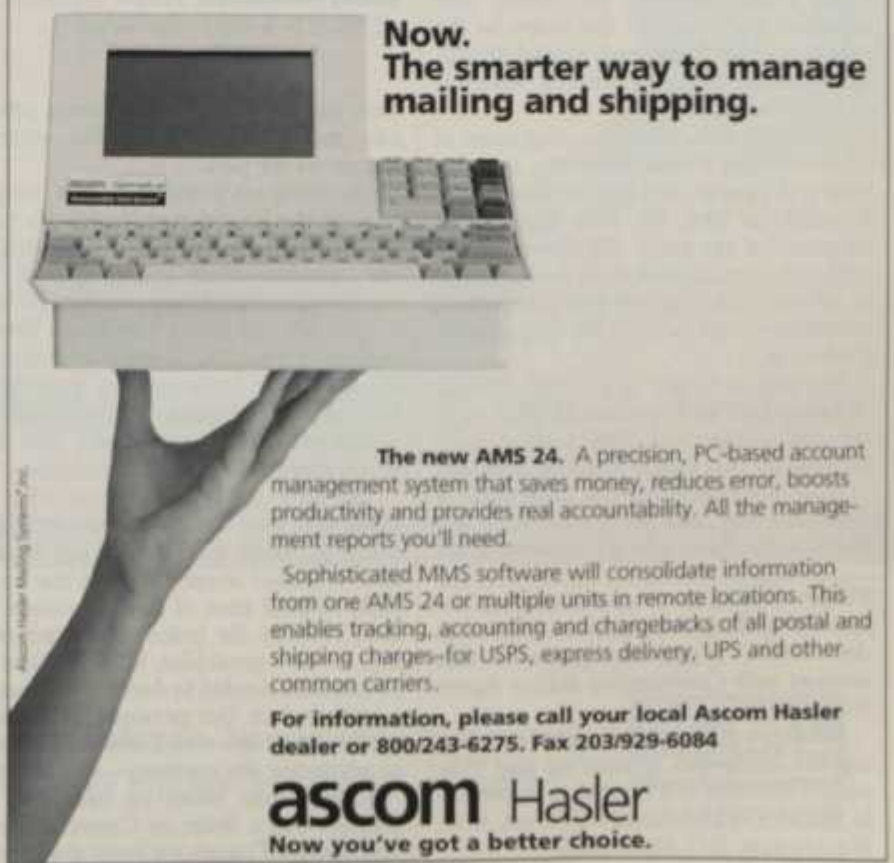
Take two aspirin. Then call us in the morning. That's...

THE AMERICAN WAY OF LIFE.

1-800-872-5963
AMERICAN LIFE
666 Fifth Avenue, New York, NY 10103

Mutual of America Life Insurance Company is a Registered Broker-Dealer. It distributes the variable products of Mutual of America and The American Life Insurance Company of New York. For more complete information, including charges and expenses, obtain a prospectus by calling 1-800-872-5963. Read it carefully before you invest. This product may not be available in all states. The IRS may apply tax penalties to funds withdrawn prior to age 59 ½.

Circle No. 3 on Reader Service Card



Circle No. 41 on Reader Service Card

Entrepreneur's Notebook

By Tucker Comstock

How One Company Sustained Its Lift

What goes up must come down. That has certainly been true for the hot-air balloon industry. There's no way to "recession-proof" a business that mixes sport, fantasy, and customers' disposable income.

My company, Cameron Balloons, has long been a technical leader and the choice of experienced pilots. Chicago stockbroker Steve Fossett used a Cameron balloon in February when he made the first solo crossing of the Pacific. My former husband, Bruce Comstock, who remains involved in Cameron's product development, directed the launch. He himself has won six national ballooning championships and a world title.

Bruce and I began racing balloons in the '70s. Eventually, we became U.S. distributors for Cameron Balloons Ltd. of Great Britain. In 1980, after six years as a distributor, the firm became a wholly owned licensee and began manufacturing Cameron balloons in Ann Arbor, Mich. Literally, the sky was the limit. At the time, the industry was experiencing annual growth of 20 to 30 percent.

By 1982, however, the frenzy had subsided; over the next few years, as the balloon industry matured, annual growth settled in at about 10 percent, where it remains today.

While the industry was losing some of its momentum, we stayed strong, growing to 30 employees—and 102 balloons manufactured—in 1989. We were hurt by the recession of the early '90s, however. By 1993, our annual production had dropped to 63 balloons. Our largest competitor, meanwhile, had to file for bankruptcy protection.

The decline forced us to make difficult decisions that we hoped would allow us to rebound along with the market, and fortunately that is how it has worked out.

With any downturn, it's imperative to determine why the market is declining and to assess the chances for its rebound. In our case, the industry was maturing, settling into moderate growth. That required change on our part.

One thing we wouldn't do was compromise on the integrity of Cameron's name and product. We remained committed to the balloons, product development, our warranty, and customer service. We have fought several costly battles to protect our patents and to prevent increases in the tariffs on materials we import. We have also undergone personal financial sacrifices rather than make cuts that would dramatically affect production.

The idea of staying true to what we know and love was reinforced by disappointing efforts to diversify our product line. We tried expanding into the seemingly related area of remote-control helium balloons for indoor arena advertising. It was a great idea, but we lacked the enthusiasm needed to develop and market a new product. Our personal involvement with ballooning—which was instrumental in advancing the company—was missing.

Rather than shore up revenues, the division was a drain on Cameron's focus and energy. Though we knew the product could be a success, it wasn't for us, and we sold the entire division.

And then we did what no one likes to do: We looked ahead and decided to cut overhead and reconfigure our work force. Of the eight people we let go, five were part of our operations/office staff. The remaining staff members had to become more flexible in their work; everyone had to pitch in—on clerical jobs, for example. We were able to save thousands of dollars.

Letting people go is painful, especially for a small firm. In downturns, however, it should be done sooner rather than later; trying to hold on to employees can actually hurt morale. Our layoff decisions were based on skills needed to continue production and marketing, rather than seniority. The 22 employees who remained felt both regret and relief.

We now have a crew that can hit the ground running without a lot of extra baggage. Attrition, meanwhile, has allowed the infusion of a few new people as well as fresh ideas. In 1994, we built 78 balloons and had sales of $2.5 million.

Clearly, we have survived a shakeout in the balloon industry. Where there were 10 manufacturers of hot-air balloons in the '80s, today there are five.

With the right adjustments and a clear understanding of what is important to you and your company, you can survive the rough spots and even find new energy.

Ultimately, my experience shows that surviving troubled times depends on maintaining product leadership while setting new sights in managing your market. NB



PHOTO: GREG SORBER—BLACK STAR

Balloon manufacturer *Tucker Comstock has adjusted to a maturing industry.*

Tucker Comstock is president and cofounder of Cameron Balloons, located in Ann Arbor, Mich. She prepared this account with Contributing Editor Susan Biddle Jaffe.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

What I Learned

When sales slump, a business must stay focused on what it does best and streamline to remain a product leader.

Does everything a copier should. Including staying crunchy in milk.



Besides making crisp, clear copies, Royal Copystar copiers are built to last. And with a full line from compact to desktop to high-volume systems, you're sure to find the one that's right. No matter what your appetite.

ROYAL COPYSTAR

Call 1-800-824-STAR

© 1995 Copystar

Circle No. 24 on Reader Service Card

Dateline: Washington

Business news in brief from the nation's capital.

TAXES

Self-Employed Likely To Regain Health Deduction

Congress appears well on its way to returning to the self-employed a deduction for 25 percent of health-insurance costs. The deduction was provided in the Tax Reform Act of 1986 on a temporary basis and extended several times until it was allowed to lapse at the end of 1993.

The House already has passed a bill (H.R. 831), on a 381-44 vote, that not only would retroactively reinstate the deduction for 1994 but also would make it permanent. Senate supporters hope to pass it by the tax-filing deadline of April 15. This timely action would reduce the number of companies that would have to file amended tax returns to benefit from the credit for the 1994 tax year.

Reinstatement is temporarily bogged down, however, over what spending cuts to make or tax breaks to repeal to recover the nearly $500 million a year in lost revenues the deduction would cost.

Meanwhile, Sens. Charles E. Grassley, R-Iowa, William V. Roth Jr., R-Del., and David Pryor, D-Ark., propose increasing the health-insurance deduction to 100 percent over three years—the same deduction available to incorporated businesses. Hearings have yet to be scheduled.

—Roberta Maynard



PHOTO: LAURENCE LEVIN



PHOTO: T. MICHAEL KEZA



PHOTO: T. MICHAEL KEZA

Full deductibility *of health coverage for the self-employed is favored by, from left, Sens. William V. Roth Jr., R-Del.; Charles E. Grassley, R-Iowa; and David Pryor, D-Ark.*

IRS Charges $43 Fee For Installment Payments

The Internal Revenue Service has begun imposing a $43 user fee on taxpayers entering into agreements to pay taxes due plus interest in installments over a negotiated period. The IRS forges this type of agreement with taxpayers who do not have sufficient funds to make lump-sum payments. The arrangement can be set up by filing IRS Form 9465—an Installment Agreement Request. The form must be attached to the return for which the taxpayer is seeking an extension.

The IRS is also collecting a $24 fee from taxpayers who request restructuring of existing installment agreements.

—Joan C. Szabo

REGULATION

SBA Tests Elimination Of Small-Loan Paperwork

The U.S. Small Business Administration is testing the feasibility of eliminating the government paperwork needed to obtain small guaranteed loans.

A two-year experiment, called FASTRAK, empowers selected lenders to issue SBA-guaranteed loans of less than $100,000 without the agency reviewing the loan applications.

Typically, the lender's application forms are reviewed by the agency before even minimal loans are approved. That process has been cumbersome and time-consuming.

The financial difference to the lender between the two approaches is that the SBA guarantees only 50 percent of the amount of FASTRAK loans, while it normally guarantees 90 percent of the amount of other loans under $100,000. FASTRAK loans will be available from 18 lenders across the nation, including such major institutions as BancOne of Columbus, Ohio; Chemical Bank of New York; Chase Manhattan of New York; and NationsBank of Charlotte, N.C.

This experiment is part of a larger SBA effort to increase small businesses' access to capital. In the past, small guaranteed loans were treated as if they carried the same degree of risk as larger ones, and a lengthy SBA application and review process caused some lenders to balk at working with businesses to obtain them. Last year, however, the agency began working to change this. (See "Some Rest For The Paperwork-Weary," June 1994.) The FASTRAK program is a result of those efforts.

—Laura M. Litvan

Wanted: Your Examples Of Regulatory Excess

House Speaker Newt Gingrich says he'll soon begin scheduling a periodic Corrections Day designed to overturn "the most destructive and least useful" federal regulations.

Corrections Day will provide business people and state and local government officials with a new opportunity to petition Congress for review of costly federal programs and requirements having little perceived value.

Details of the Corrections Day review process are not final, but an official in the House speaker's office says review requests will be screened by a yet-to-be-named task force. Requests that pass task-force muster will then be reviewed by the congressional committee with jurisdiction over the regulation or program in question.

Full congressional review will take place under a procedure that requires a two-thirds majority vote for approval. Any measure calling for termination of a regulation or program would be subject to presidential veto as well.

Send your regulation and program nominees to *Nation's Business*, Corrections Day, 1615 H Street, N.W., Washington, D.C. 20062-2000. Or fax them to (202) 887-3437. We will forward them to the speaker's office for Corrections Day consideration.



Measurably better. *With Dodge Ram Van, you get to select among three body lengths. Not only that, Ram Van's maximum payload is greater than Ford, Chevy or GMC.*



Our customer base

More hard-working power. *Dodge has, overall, the most powerful line of truck engines on the planet. So it's no surprise, Ram Van's 3.9L Magnum V-6 gives you more standard horsepower than any other van. What's more, two Magnum V-8s are available – a 5.2L and a 5.9L.*

V8 MAGNUM

Standard driver's airbag. *Dodge is the only full line truck manufacturer to put a standard driver's airbag in*



every single truck it builds.† So of course, Dodge Ram Van comes with one.



Standard rear anti-lock brakes. *To help you get to work safely, Ram Van is equipped with standard rear-wheel or available four-wheel anti-lock brakes.*

We stand behind our work. *Ram Van is backed by our new Customer One Care™ 3-year or 36,000-mile bumper-to-bumper warranty and 3/36 Roadside Assistance. There's a 7-year/100,000-mile outer body rust-through warranty, too.**

Solid value. *Your Dodge dealer offers a Ram Van Tradesman Package that includes many of the options you look for in a work van. For the name of your nearest dealer, or for information on commercial buyer incentives, call 1-800-WORK RAM.*



†Always wear your seat belt for a fully effective airbag. *See limited warranties and restrictions at your dealer. Excludes normal maintenance & wear items.

just keeps building.

America's Truck Stop

The New Dodge

A DIVISION OF THE CHRYSLER CORPORATION

Managing Your Small Business

A rewarding trip to Disney World; tips for better brainstorming; adapting to marketplace shifts.

By Roberta Maynard

MOTIVATION

Building Teamwork For Fun And Profit

Walt Disney World was more than just a playground for the employees of Wixon/Fontarome, a manufacturer of food flavorings in Milwaukee. It was also an ideal backdrop for training on how to build a quality operation.

J.H. "Bud" Morgan, Wixon's president, financed a recent trip to Orlando, Fla., for his 150 employees as a way to motivate them and to reward them for years of consistent growth in sales and profits. He also viewed the four-day trip as a way for them to observe a quality organization in action. "If Wixon were to conduct itself like Disney," Morgan told his workers, "think how good we could be."

Morgan, whose company had revenues of $50 million last year, paid $300,000 to send each of his employees with a companion to Orlando in three separate four-day trips. Each employee got park passes and $300 in spending money, and except for two mandatory meetings that focused on quality and teamwork, the time was theirs.

Most smaller companies couldn't afford such a trip, but by way of encouragement Morgan notes that it took Wixon a lot of time and effort—15 years of solid growth—before he could offer it. On motivating employees and rewarding quality, he says that what's important, regardless of a firm's size, is to get employees to assume responsibility for the company as a whole, not just their own jobs. "How do you get everyone to jump in and pick up an oar?" he asks. "They've got to feel it's their boat."



PHOTO: GREN TOUCHTON

Walt Disney World *was the backdrop for training on quality operations for all employees of flavorings manufacturer J.H. "Bud" Morgan, in the front row with his wife, Joan.*

THE LAW

Be Careful When Confiding In Your Accountant

What you tell your certified public accountant is no secret in the face of a subpoena, says David T. Doran, assistant professor of accounting at Pennsylvania State University in Erie. Professional standards for CPAs specifically forbid them from voluntarily disclosing what has been revealed to them in confidence. But unlike physicians, lawyers, and members of the clergy, accountants do not enjoy federally recognized privileged communication.

Small firms that are not aware of that absence of privilege, says Doran, may put themselves at risk if they give their CPAs sensitive information, such as fiscal improprieties or illegal activities. He notes that there are no confidences for CPAs subpoenaed by the Internal Revenue Service. About two dozen states, however, do recognize privileged communication between CPAs and clients.

CREATIVITY

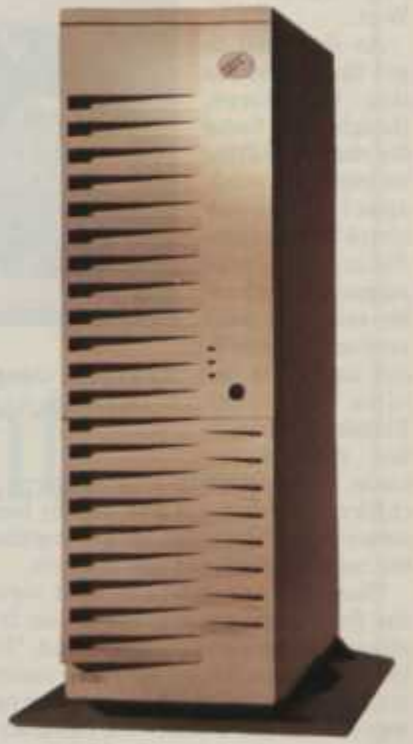
How To Make The Most Of Brainstorming Sessions

The best approach to solving many business problems is to bring several people together for a brainstorming session. But results can be disappointing if managers don't understand that the key to success is to keep out negativity and keep ideas flowing. "Brainstorming will only be effective if participants feel comfortable enough to take risks," says Bryan W. Mattimore, a professional facilitator—one who conducts such meetings—and author of *99% Inspiration*, published by the American Management Association, in Chicago. His suggestions:

- Ideally, the group should contain eight to 12 people meeting for several hours at a time. For a variety of viewpoints, consider including people from other departments or even a few clients.
- If the session is to be run by someone in-house rather than a professional facilitator, it should be a well-liked person who will not inhibit the group by being judgmental or intimidating.
- Don't hesitate to remove individual participants who are hampering the process by being critical or negative.
- To begin the session, ask participants to recall something personal about themselves, or perhaps ask them to describe their fantasy job. "This gets people into the right frame of mind," Mattimore says, "one that allows them to start making spontaneous connections without regard to how they sound to others. Only then can conventional thinking end and creative, innovative ideas emerge."
- Put games and fun on the agenda to help sustain the creative momentum—or to provide a break if it stalls.
- Finally, use a session plan as a guide, but make sure the process is subordinate to the moment's energy. If you have persuaded people to use their creative energies, don't stop for a break; keep it going. Above all, keep it positive.

"IBM only makes servers for huge companies with unlimited budgets."

(Hello, how does starting at $3,000 sound?)



The days when only FORTUNE 500® companies could afford IBM are most definitely over. Because now, for about the price of other brands, any business can choose the IBM PC Server 300 and enjoy what IBM customers have come to expect.

Namely, servers that are easy to upgrade and work perfectly with other computers and peripherals you might already have. Precision IBM reliability. And HelpWare,® a comprehensive service and support package that includes telephone help 24 hours a day, 7 days a week.

What's more, if making your life easier is high on your list of options, you can choose an option of ours—NetFinity™ 2.01 software—which makes managing your network a lot simpler.

For details on how to get the most out of your PC budget by getting the most PC Server, see the IBM Authorized Business Partner near you. Or, for product info by fax, call 1 800 IBM-4FAX and key in ID# 3078 or 3079.

IBM PC Server 300:
486 DX2/66MHz; 728MB hard drive; 8MB parity memory expandable to 128MB; 9 Bays; 8 Open Slots; 30-day money-back guarantee; 3-year, next-day, on-site warranty; EISA/PCI architecture.

There is a difference™ IBM.

PC Direct prices and offerings are subject to change or withdrawal. MB means million bytes. Copies of IBM's Statement of Limited Warranty available by calling 1 800 772-2227. Dealer prices may vary. IBM and HelpWare are registered trademarks and NetFinity and There is a difference are trademarks of International Business Machines Corporation. ©1995 IBM Corporation.

MARKETING

Keeping Your Eye On Lucrative Niches

For makers of small, niche products, it's critical to keep careful track of what's happening in the marketplace.

Take the educational cards produced by Fax-Pax USA, Inc., in Bloomfield, Conn. The products are flash cards on art and history, each pack with a different theme; some titles are for small children.

When Stacey L. Savin, the firm's president, began the business about five years ago, she contracted with a company in Britain to sell its historical and children's titles in the United States. Soon, she developed additional products, ones with distinctly American themes, such as the presidents and the American West.

As she tried to get these products into bookstores, though, she found the market shifting unfavorably; small, specialty book stores were consolidating to form megastores, where her relatively small products were difficult to see. At the same time, her British preschool titles suffered because of competition from a surge of children's products. It was only by being aware of this shift that Savin recognized the need to search out new markets.

Thanks to her American West series, she found what she regards as her true niche: museums and national parks. "Unlike bookstores, where the same customers are always looking for something new, we needed a place where the customer is always changing," says Savin. Museums and national parks, she discovered, offered a steady flow of people looking for something that pertains to the place they are visiting. Such customers buy her cards as educational supplements or simply as a mementos.

Savin's historical titles are also being used in college courses, assigned like textbooks. Selling to public schools has been hampered by the difficult ordering procedures, she says, but teacher-supply stores may be another successful venue for her products. Last year, Savin sold a total of 50,000 units.

Finding her niche has helped with product planning, too. In developing titles, she carefully stays away from general topics like explorers and adventurers, knowing that success with her products lies in tying the theme to particular sites. Forthcoming titles include the first ladies and the Civil War.

"Many successful people start with creating a demand for the product," says Savin. "I have always believed that the market comes second, that the product will stand or fall on its own." ■



PHOTO: SPENCER POOLE

Marketplace changes *forced flash-cards distributor Stacey Savin to find a new niche for her educational products.*

HUMAN RESOURCES

Do's And Don'ts For Employee Handbooks

A handbook can help any company prevent or settle disagreements with employees, according to William Anthony, a human-resources professor at Florida State University in Tallahassee.

He offers these tips for writing effective handbooks:

■ Clearly and concisely lay out employees' responsibilities and employer's duties. Include details on attendance and on benefits such as paid time off.

■ Ask line managers for opinions on what the book should include. Have a lawyer review the finished handbook.

■ Don't simply adopt another company's book. Consider your own corporate culture, policies, procedures, and type of business. A law firm may want to stress honesty and integrity, for example, while a construction company may emphasize workplace safety.

Not all firms need handbooks. In very small companies with a lot of face-to-face interaction, a handbook probably isn't necessary, says Anthony. But as companies grow to 20 or 30 employees, he says, it is advisable to put policies in writing. ■

TAXES

Checking Out States With Top Incentives

Any firm, regardless of size, may discover through research that it's eligible for tax breaks because of its location or the nature of its business.

Most tax incentives for companies—usually in the form of credits, exemptions, or rebates—are aimed at attracting businesses or creating jobs. Familiar examples are enterprise zones, typically established in economically disadvantaged areas; firms that set up operations within a zone's boundaries become eligible for tax breaks.

Other tax incentives, however, may have other purposes, such as those tied to specific industries or government goals. They may apply to companies that recycle plastics, or contribute computer equipment to schools, or adopt energy-saving practices.

Mancon, Inc., a Greenville, S.C., consulting firm that tracks tax incentives in every state, says the top 10 states with the best overall incentive packages most likely to produce the greatest return are New Jersey, Ohio, Texas, Virginia, Missouri, California, Indiana, Pennsylvania, New York, and Illinois.

Companies like Mancon are in business to help firms pinpoint applicable programs; they do the research and handle the necessary paperwork in return for a percentage of the tax savings realized.

A firm that wants to handle the process itself should contact its state's office of economic development to find out about applicable incentives. ■

NB TIPS

List Your Home Business

Your home-based business can be listed free in a new publication, *The National Home Office Networking Directory*, scheduled for release in late 1995. To obtain a listing form, send a postcard or a letter to Information Publishing Inc., 300 Main St., Suite 288, Department D, Huntington, N.Y. 11743. Include your name, company name, address, phone number, and a description—no more than 10 words—of your business or primary products or services.

Recognizing Community Service

Nominations are being accepted for the 1995 Awards for Excellence in Corporate Community Service. Any company—regardless of size or type of business—is eligible to apply provided it is addressing a serious community need through a company-supported, companywide, employee-volunteer program. Firms are encouraged to nominate themselves.

To request a nomination form, write to The Points of Light Foundation, 1737 H Street, N.W., Washington, D.C. 20006. Or call (202) 223-9186. The fax number is (202) 223-9256. Nominations are due by April 21. NB

Who gives you free airfare after six rentals?



Nobody but Budget.®

Fly free when you rent six times. Only at Budget.

Simply rent any compact or larger vehicle, including trucks, six times for three or more consecutive days. Rentals must occur from February 6 through June 15, 1995, at any worldwide Budget location. We'll give you a free (excludes taxes) round-trip coach ticket on American Airlines® valid for travel within the contiguous U.S. and Canada. For reservations, contact your travel consultant or call Budget at **800-527-0700**.



THE SMART MONEY IS ON BUDGET.®

We feature Lincoln-Mercury and other fine cars.

Here are some details you should know: Offer requires six rentals (minimum three days per rental) of a compact or larger vehicle, including trucks, at any worldwide Budget location from 2/6/95 through 6/15/95. For complete promotion details and airline ticket restrictions, pick up a Fly Free order form at select U.S. Budget locations. American Airlines is a registered trademark of American Airlines, Inc.

A service of corporate and licensee owned locations. © 1995 Budget Rent a Car Corporation.

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Profits On Board

By Roberta Reynes

It's 7:15 a.m. on a rainy winter Saturday in suburban Boston, and Michael Lerner, dressed in jeans and a sweater, is charging into another business day.

The manufacturer of children's products runs one of the most successful, rapidly growing companies in the country, but he has not forsaken the small-company details: It is Lerner, not an underling, who finds a bakery open somewhere along the city's dark, rain-soaked streets, carries fresh bagels and coffee to the unadorned conference room at the Chestnut Hill headquarters, and sets them out for the morning's sales meeting.

Lerner founded Safety 1st in 1984 with a single gimmick: those once-ubiquitous yellow "Baby on Board" car signs. A couple who had spotted the signs in Germany and tried unsuccessfully to market the idea in the U.S. brought it to Lerner, who was then working for an executive search firm that specialized in retailing.

He invested $30,000 of his own and began signing up accounts at a dizzying pace. "One month, we were selling 10,000," he recalls. "Eight months later, we were doing 500,000 a month." (The couple received a percentage of the early profits, ending up with $100,000.)

His success with the signs gave him a foot in the door at such big retailers as Kmart and Target, and Lerner began to contemplate new products. He studied such magazines as *American Baby* and *Parents*, noticing a flood of articles on safety. He prowled hardware and home-improvement stores: There was only a handful of drably packaged child-proofing gadgets.

Lerner brought in a highly experienced baby-products developer and marketer, Michael S. Bernstein, now his executive vice president. They added some features to safety products, wrapped them in brightly colored packages, and took samples to retailers with toy departments.

Toys "R" Us gave Safety 1st its big break in 1987. The chain was "a pioneer in making child safety a separate category," Lerner recalls. But the eight-foot section of allotted shelf space was a visual jumble of smaller, pegboard items from 20 different vendors. Toys "R" Us challenged Lerner: Can you design a complete and eye-appealing juvenile-safety department? What products should go in it? What will it cost us?

Busy running Safety 1st by day, Lerner haunted Toys "R" Us stores Saturday nights and Sundays. A plan began to take shape. He photographed one of the store's existing sections and had the picture enlarged to life-size. "The blowup cost $1,800," he recalls. "It was a major investment."

He set the photo beside a mock-up of his proposed section. "We were the first in our industry to use four-color photography, images of the product in use, and transparent packaging," he says. "When I put theirs next to ours, I knew they were going to love it."

His hunch was right. Martin Fogelman, vice president, merchandise manager, for Toys "R" Us, recalls: "There were people in the safety business way before Michael. But he was the one who made the product appealing."

Today, Safety 1st's 300 safety, convenience, hygiene, and play products are sold to 3,700 accounts representing 30,000 retail outlets. Often, the items add a new feature to a familiar product—for example, there is a sound-

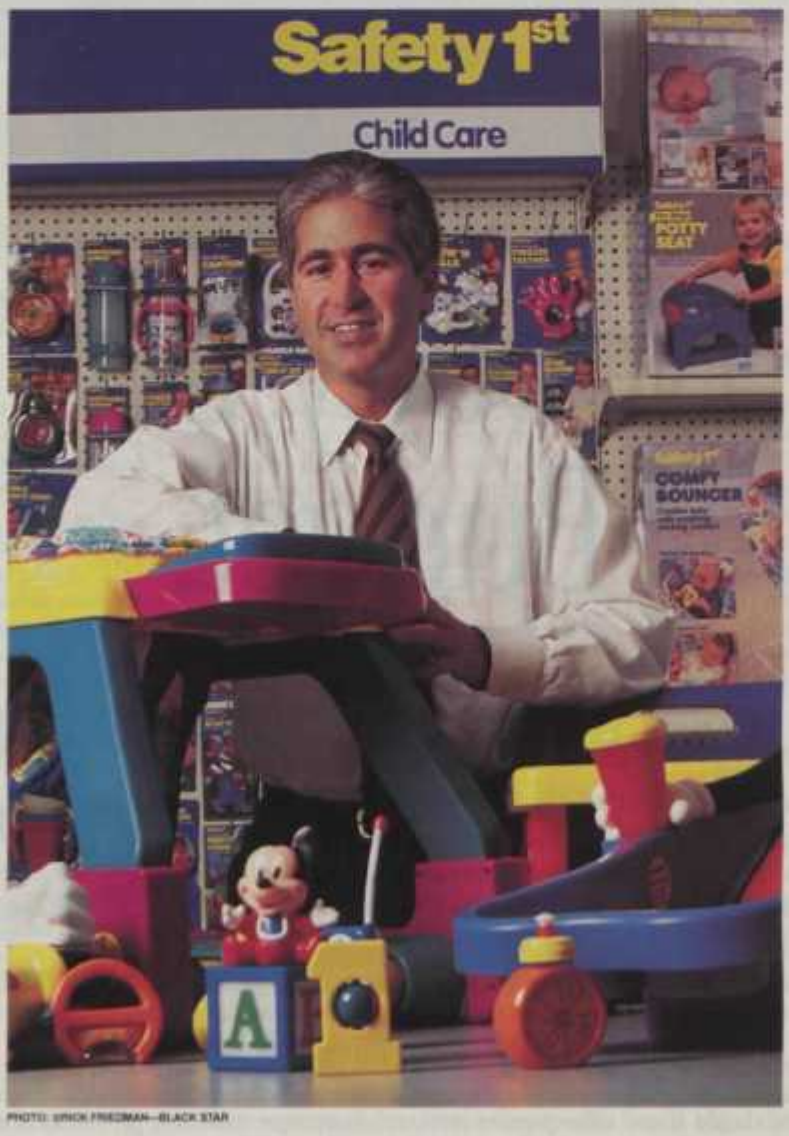


PHOTO: ERICK FREEDMAN—BLACK STAR

Growth-oriented *Michael Lerner has built on the success of the "Baby on Board" car signs to market other child-safety products.*

activated nursery monitor that plays "Brahms' Lullaby" when the baby wakes up. Other offerings range from spill-proof travel cups to a fold-up bathtub. Twenty-five new products for 1995 feature Disney characters.

Growth has been meteoric. As recently as 1989, the company was doing $7.7 million in sales. In 1993, revenues jumped 51 percent over the year before to $43 million. Profits nearly doubled to $4.2 million.

Sales for the first nine months of 1994 were up an additional 59 percent. The company's stock has more than doubled since it went public at $12 a share in April 1993. Safety 1st's five-year return on equity is 100 percent.

One way Lerner keeps pace with rapid growth is to hire people whose background and abilities match a larger company and pay them accordingly. "That overqualified individual allows me to grow faster," he says. "The company develops to the executive's level."

If the quality of employees is high, the quantity has been bare-bones. Until mid-1994, Safety 1st operated with a mere (for the $43 million sales volume) 52 employees. The staff now numbers about 135. Among other things, the newcomers will help support a 100-item expansion into home-security products this year.

In his modest, almost shy manner, Lerner acknowledges that he has "accomplished the goals I set out to do." But he adds: "There's still so much more out there. . . . We'd like to be a billion-dollar company someday." ■

Roberta Reynes is a free-lance writer in Spencertown, N.Y.

The Niche Is In The Mail

By Michael Barrier

When you call Purple Mountain Dry Goods' 800 number to order some outdoor clothing from its catalog, you quite likely will get the CEO on the phone. Purple Mountain has only four full-time employees, including Russell B. McDonough III, its chairman and president, and everyone takes phone orders.

They get ideas for new products by answering the phone, McDonough says; Purple Mountain offered lined khaki pants in its 1994 catalog because so many customers asked for them the year before. "They'll tell you on the phone all the time what they'd like for you to make," he says.

Adds Sheldon Smith, the boyhood friend who founded the company with McDonough two years ago: "You don't have to ask them."

Purple Mountain, based in Little Rock, Ark., is a classic niche company. In a world cluttered with catalogs, McDonough, 31, and Smith, 29, are trying to zero in on customers who may be particularly receptive to Purple Mountain's outdoor clothing but not necessarily swamped with other catalogs.

For example, one source of customers is "elk-hunting permits in Wyoming or Minnesota," McDonough says. You can buy those lists from the state, and they're "pretty cheap," he says. "If we show up in the mailbox of some guy in rural Wyoming who doesn't get 30 catalogs a day, we think we've got a good shot."

Purple Mountain mailed 40,000 catalogs in the fall of 1993 and 500,000 last year. Sales for the fiscal year that ended Feb. 28 totaled around $750,000.

Purple Mountain's clothes, too, reflect the company's niche strategy. They are traditional sportswear, Smith says, "but made out of a little bit higher-tech fabric, like Polartec," an insulating lining.

"The microfleece we put in our khakis is a high-tech material," he says, "but we put it in khakis to wear to work everyday."

Purple Mountain's trademark (literally) product is Polar Jeans, blue jeans that are lined with Polartec. Such jeans are at once comfortably familiar yet warm enough to wear on the ski slopes.



PHOTO: WESLEY WITT

Elk hunters *are among the customers sought by Russell McDonough, seated, and Sheldon Smith.*

Smith designs Purple Mountain's clothes, leaving the business end to McDonough; their responsibilities really overlap only in marketing, they say.

Smith made an earlier venture in clothing while attending college in Chattanooga, Tenn., where he and some friends started a jeans company called Jensen-Smith. It sold jeans jackets decorated with python skin and other exotic skins (to match boots of the same kind), but its most successful product was "shotgun jeans," blue jeans blasted with pellets from a 12-gauge shotgun.

Sales reached $1.5 million a year, Smith says, and would have been higher if the company had been able to shoot more jeans, "but we physically weren't able to do it." Smith sold his interest in the company when he had a falling-out with his partners.

While Smith was in Chattanooga, McDonough was in Atlanta, studying for an MBA at Emory University, and "we got together quite a few times," McDonough says. They ultimately decided to return to Little Rock and go into the clothing business together. McDonough turned to his family for capital.

"Our biggest challenge the first year was finding vendors," McDonough says. Only a few manufacturers were willing to make Polar Jeans—and then they pushed Purple Mountain to the end of the line when they began getting larger-than-expected orders from major clothing companies.

Now that such birth pangs are past, Purple Mountain must survive a potentially more deadly threat—from larger companies that see the appeal of its products. Without question, McDonough says, Purple Mountain is vulnerable to knockoffs by its much larger competitors.

"You hope there's a certain cachet to saying that you were the original Polar Jeans," he says, "but that'll only carry you so far. We're going to have to keep innovating"—but without compromising the idea that Purple Mountain makes clothes that are "functional and practical, and that people are going to wear." Shotgun jeans are not part of the program.

Striking the necessary balance could be a little tricky, but McDonough may have an advantage in the limited scale of his ambition. He doesn't foresee Purple Mountain's being "a $500 million catalog company," he says. "We want to be a much narrower, more focused catalog company. If we can carve out a very small niche, I think we can do fine." NB



When you run a business, excuses just won't do – you have to deliver on your promises. And you have to expect that same kind of performance from your trucks – get the job done, without excuses.

NO HASSLES, NO PROBLEMS.

That's why so many experienced business people turn to the experienced truck people – GMC Truck. And that's why the GMC Sierra is the pickup of choice for demanding companies, big and small.

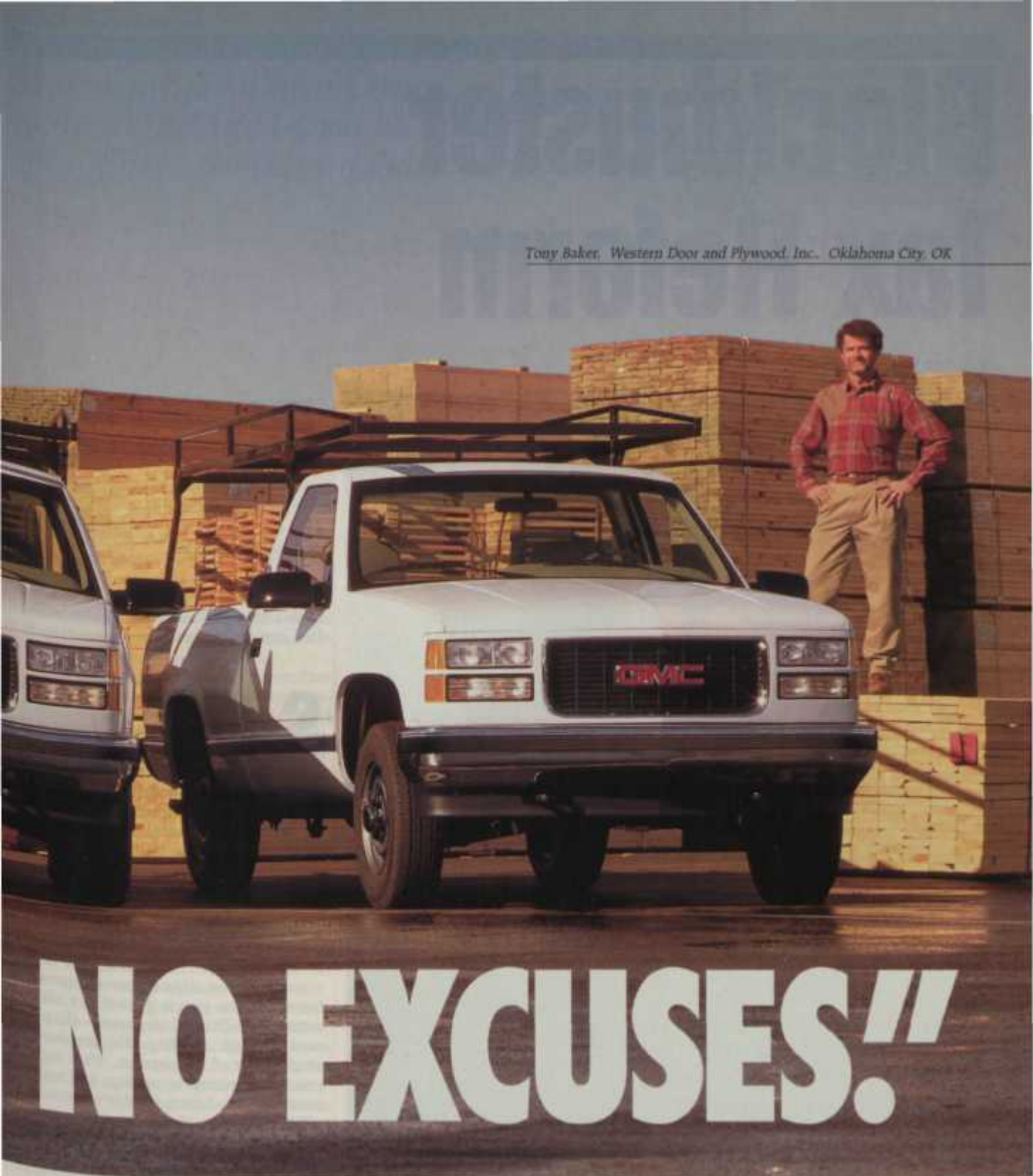


THE BOXED FRONT END PROVIDES A VERY FIRM FOUNDATION.

Among its many strengths, Sierra's ladder type, semiperimeter frame is specially engineered to provide a firm foundation for both the cab and the bed. Its body panels are corrosion resistant, two-sided galvanized steel.* And its cargo box is fully welded and has double walls for strength and durability.

VERSATILITY MEANS MORE BUSINESS.

The GMC Sierra is more than just strong, it's also comfortable, versatile and powerful. Sierra has six available engines to meet your specific needs – one V6 and five V8s, including two diesels. That's the widest selection of engines in its category. Sierra's independent front suspension provides a smooth, firm ride, loaded or





OVER 2100 GMC TRUCK DEALERS SERVICE SIERRA NATIONWIDE

empty. And its payload capacities range from 1579 up to 5459 pounds.** So it's very versatile indeed.

WORK GETS DONE. MONEY GETS MADE.

The GMC Sierra can provide everything your business expects in a pickup, and then some. And do it without hassle. Call 1-800-GMC-TRUCK (1-800-462-8782) for a catalog and the name of your nearest GMC Truck dealer. There, you'll find people just like you – people who know how to get the job done. Without excuses.

*Except the roof panel.
**When properly equipped; includes weight of passengers, cargo and equipment.
©1995 GM Corp. All rights reserved. GM, GMC Truck and Sierra are registered trademarks of General Motors Corporation.
Buckle up, America!

GMC TRUCK SIERRA
THE STRENGTH OF EXPERIENCE

COVER STORY

Blockbuster Tax Reform

By Robert T. Gray



PHOTO: T. MICHAEL KEZA

House Ways and Means Chairman *Bill Archer wants to abolish the income tax.*

"My plan would make the tax system so simple that Americans could fill out their taxes on a postcard."

"We've got to tear the income-tax system out by its roots. We have to remove the Internal Revenue Service from the lives of Americans totally."

"[We] need to abolish the income-tax law of this land and substitute . . . an unlimited savings allowance."

Such proposals have generally come from reformers deemed out of touch with political and fiscal reality. But they are being advanced today by top elected officials with major roles in setting tax policies.

The certainty that recommendations for such fundamental change will become the center of a national debate over the next few years—the legislative firepower of their sponsors guarantees that—is an important measure of Washington's changed political environment.

The principal advocate of a flat-rate tax is Rep. Richard K. Armey, R-Texas, majority leader of the House of Representatives, whose plan is geared to a 10-line return for individual taxpayers—the postcard method of filing. He proposes a single rate of 17 percent, with capital gains and returns on savings and investments excluded from taxable income.

The call for abolishing the present income-tax system comes from Rep. Bill Archer, R-Texas, who, as chairman of the House Ways and Means Committee, is one of the most powerful individuals in government when it comes to drafting tax legislation.

The statement on behalf of replacing the current tax system with one that provides for "an unlimited savings allowance" was made by Sen. Pete V. Domenici, R-N.M., chairman of the Senate Budget Committee and one of Congress' most respected authorities on fiscal policy, and his partner in this bipartisan endeavor, Sen. Sam Nunn, D-Ga.

While the three key plans are being

Major proposals in Congress to overhaul the tax system will set off an extensive debate.



viewed as distinct and in some respects competitive entities, tax experts point out that all three are essentially based on consumption taxes because they favor money put into savings and investment over spending.

The prospect for serious consideration of such fundamental tax changes that have long been discussed but never accorded much chance of success reflects Washington's new reality, which stems from the sweeping Republican victories in the 1994 congressional elections.

Leadership positions and committee chairmanships were taken over by members committed to shrinking government by curbing taxes, spending, and regulation. It is not surprising, therefore, that the federal activity widely viewed as most symptomatic of intrusive government growth—the income-tax system—has become a prime target.

Business will, of course, have a major role in the debate on whether the tax system should be overhauled.

The individual proposals would affect different companies and specific industries in different ways. Some of the latter hold long-established views on some of the tax-overhaul proposals.

But the U.S. Chamber of Commerce, a business organization with a broad-based membership, says that a full-scale review of all the ramifications of alternative-tax initiatives is the appropriate response at this point. "It's clear that our current tax system has many problems, including complexity, costs to society, and the ever-larger underground economy," says the Chamber's President Richard L. Lesher. "So the Chamber is pleased that so many congressional leaders are taking the initiative to seek reform. The Chamber has formed a task force to evaluate the plans as they take shape."

Evaluation of the plans is also the approach taken by a lawmaker whose tax-policy clout equals that of the outfront sponsors of the overhaul measures. Sen. Bob Packwood, R-Ore., chairman of the Senate Finance Committee, plans to review the many competing proposals that have been advanced, but he has not



PHOTO: T. MICHAEL KEZA

House Majority Leader *Richard K. Armey, seated, confers with aides. He advocates a flat-rate tax that could be calculated on a postcard-size return. His plan would also replace tax withholding with direct payments so taxpayers would be aware of the true cost of government. The Armey plan's definition of income (Line 1) excludes capital gains, interest, and dividends.*

Rep. Armey's Flat-Tax Form

1. Wages, Salary, Pensions.....
2. Personal Allowance.....
 a. $26,200 for married filing jointly.....
 b. $13,100 for single.....
 c. $17,200 for single head of household.....
3. Number of dependents, not including spouse.....
4. Personal allowances for dependents (line 3 multiplied by $5,300).....
5. Total personal allowances (line 2 plus line 4).....
6. Taxable wages (line 1 less line 5, if positive; otherwise zero).....
7. Tax (17 percent of line 6).....
8. Tax already paid.....
9. Tax due (line 7 less line 8, if positive).....
10. Refund due (line 8 less line 7, if positive).....

CHARTS: MICHAEL ROOK



PHOTOS: ©TERRY ASHE—POLO, INC.



In a bipartisan move, *Sens. Pete V. Domenici, R-N.M., above, and Sam Nunn, D-Ga., left, advocate a tax-reform plan that would favor savings and investment over consumption.*

taken a position on any one. Nor is he expected to do so for some time.

As chairman of the Senate's tax-writing panel, Packwood is giving priority to GOP pledges for immediate tax relief, but he has also begun a preliminary review of such proposals as the flat-rate tax and more tax-policy emphasis on investment incentives. While he was a principal author of the 1986 legislation that drastically simplified tax law, Packwood does not consider it the last word in tax reform and will include even that statute in a review of the present system, a Finance Committee source said.

Each of the major proposals will also come under increasing discussion in the business community as they are refined and their full implications, particularly for small businesses, become more apparent.

While the several proposals share the basic goals of simplification, fairness, and growth incentives, there is not likely to be a unified business position behind any individual plan anytime soon.

In fact, some of the leading proposals face the prospect of opposition from parts of the private sector.

For example, the National Association of Home Builders, in Washington, says it has "serious reservations" about a flat-rate tax that would eliminate deductions based on property ownership. The National Retail Federation, an association of retailers, in Washington, remains "adamantly opposed" to consumption-type taxes.

The crosscurrents in motion well before debate on alternative taxes demonstrate that crafting something as complex as a new tax system is no small task, either politically or fiscally, for Congress, business, individual taxpayers, and the country.

The current income-tax system will bring in total federal revenues of $1.34 trillion in this fiscal year, which runs through next Sept. 30. Of that amount, $588.4 billion, or 44 percent, will come from individual income taxes. Other revenue sources are Social Security and other insurance taxes and contributions, $484 billion, or 36 percent; corporate income taxes, $150.8 billion, or 11.2 percent; and excise taxes of $57.6 billion, or 4.3 percent. Miscellaneous revenues make up the balance.

Here is an overview of the principal proposals for an alternative tax-raising system that will be aired in this historic debate.

The Armey Plan

"A flat-rate tax," Majority Leader Armey told *Nation's Business,* "does everything that you want a tax code to do. It covers individuals' entire earnings—but only taxes them once. It is simple, direct, and honest. It would lower the tax burden on virtually all Americans, particularly families with children. And it would create a powerful incentive to save and invest."

Income would be determined by subtracting a personal allowance from salary, wage, and pension income. The balance would be taxed at a flat rate of 20 percent for the first two years the new system is in effect and 17 percent thereafter. Currently, the top effective rate is nearly 40 percent, and the average marginal rate is 28 percent.

Interest would be neither deductible nor taxable, resulting in a net increase in revenue collected, Armey says. He notes that more interest is deducted than taxed under the current system. The exclusion of returns on savings and investments from taxable income would also eliminate the present double taxation of that income, Armey says.

He would abolish the present withholding system, which he calls the most egregious "of all the deceptive government practices." Taxpayers would be expected to file their postcard returns monthly or quarterly to enable them to "measure the true cost of government against the benefits."

The personal allowance would be determined by filing status and the number of dependents. A married couple filing jointly would receive an allowance of $26,200; a single taxpayer, $13,100; and single head of household, $17,200. The personal allowance for each dependent (exclusive of spouse) would be $5,300. Those figures would be indexed to cost-of-living increases.

"Because of the generous exemptions," Armey says of his plan, "millions of taxpayers are taken off the rolls entirely, and middle-income Americans receive a tax cut."

Businesses would pay the 17 percent rate on the surplus of revenues over expenses. That levy would apply to corporate, partnership, professional, farm, and rental profits as well as to royalties. The tax base would be gross revenue less costs of goods, services, capital equipment, structures, land, and wages paid to employees. No deductions would be permitted for costs of fringe benefits, interest, or payments to owners. The expensing provision—full write-off of capital investments—would eliminate current depreciation schedules.

The majority leader says the initial 20 percent level would provide most Americans with a modest tax cut while limiting revenue losses. The plan would be kept revenue-neutral, he says, through spend-

How The U.S. Income-Tax System Grew

Here are key events in the evolution of the current U.S. income-tax system:

■ **1861:** The first U.S. income tax is levied to help finance sudden and massive costs of the Civil War. It is abolished in 1872.



■ **1894:** Congress imposes an income tax in response to complaints that excessive reliance on tariffs as a revenue source pushes up costs of imported goods for farmers and other consumers.

■ **1895:** The U.S. Supreme Court holds that the 1894 income-tax law conflicts with the U.S. Constitution's restrictions on levying direct taxes. Ratification of the 16th Amendment in 1913 removes that bar, and Congress establishes an income-tax system.

■ **1917:** World War I revenue requirements push up tax rates, with the maximum combined basic and surtax rates reaching 77 percent in 1918.

■ **1920:** A postwar recession sparks demands for relief from high wartime taxes. The top rate for combined basic and surtax rates is cut to 50 percent on incomes over $200,000, and surtaxes on lesser amounts are also reduced.

■ **1924:** Continuing budget surpluses result in further tax reductions, and, for the first time, tax policy treats earned income more favorably than unearned. The law also authorizes publication of the names of taxpayers and the amounts of taxes paid. The publicity fails to achieve the goal of forcing higher payments, and the practice is dropped.



■ **1932:** Faced with sharp reductions in revenue as the Depression worsens, Congress raises income-tax rates, cuts personal exemptions, and eliminates the 25 percent credit on earned income. The top rate, 25 percent in the late 1920s, reaches 77 percent in the late 1930s.

■ **1942:** Before World War II, income thresholds exclude most wage earners. But the war's costs extend the income tax much farther down the income ladder and send the top rate to 94 percent before the war is over.

■ **1943:** To enforce compliance by the sharply increased numbers of taxpayers, Congress institutes tax withholding from wages, effectively turning employers into tax collectors.

■ **1945-50:** Wartime tax rates are eased during the Truman administration, but the outbreak of the Korean War in 1950 sets off a new round of increases.

■ **1961:** Because of increasing Internal Revenue Service use of automated data-processing equipment, taxpayers are required to use identification numbers, which for most people are Social Security numbers. Institutions making interest and dividend payments are directed to notify the IRS of such payments by taxpayer ID numbers.



PHOTO: GEORGE TAMES

Bridging two wars, *the Truman era saw tax rates eased, then raised again.*

■ **1964:** Tax rates are cut to a range of 16 to 77 percent from a scale of 20 to 91 percent.

■ **1968:** A 10 percent surcharge is levied on income-tax payments as the federal deficit, driven by Vietnam War costs, triples.

■ **Mid-1970s:** "Bracket creep," a new factor in the tax system, comes into play as soaring inflation pushes millions of taxpayers into higher tax brackets even though their real income has not increased.

■ **1977:** Rep. Jack Kemp, R-N.Y., and Sen. William V. Roth Jr., R-Del., introduce a bill calling for a 30 percent cut in income-tax rates over three years to stimulate the economy.

■ **1981:** Soon after his inauguration, President Reagan calls for the largest tax cut in the nation's history. Congress essentially approves his plan, which cuts rates 25 percent over three years, indexes tax brackets for inflation, and applies the same rates to earned and unearned income.



PHOTO: KRISTIN CALLAHAN

Vietnam War *costs led to a 10 percent surcharge.*

■ **1986:** The top tax rate is cut to 28 percent from 50 percent, and the 14 tax brackets are reduced to two—15 and 28 percent. Application of some provisions puts some taxpayers with high—but not the highest—incomes in an effective 33 percent bracket.

■ **1990:** President Bush and Democratic congressional leaders agree to add a 31 percent bracket and limit many deductions. The change eliminates the 33 percent rate on one group of higher-income taxpayers but increases taxes on individuals at still higher income levels, who were paying 28 percent. The restrictions on deductions also increase tax liabilities broadly.

■ **1993:** At President Clinton's urging, Congress adds a 36 percent bracket. A high-income surtax results in an effective top rate of 39.6 percent. In addition, some of the 1990 deduction curbs that were scheduled to expire are made permanent.



PHOTO: LAURENCE LEVIN



PHOTO: T. MICHAEL KEZA

Tax-cut proponents *Roth and Kemp.*

■ **1995:** Taking control of Congress for the first time in 40 years, Republicans begin discussing such sweeping changes as a flat-rate tax or consumption taxes to replace the system that has evolved since approval of the 16th Amendment in 1913.

ing cuts that it would also mandate.

Beyond that, the plan relies on the premise that tax cuts provide incentives for work and investments that increase incomes. "By the third year," the Armey plan says, "it will be abundantly clear that a low, simple, and neutral tax code will energize the economy and lead to greater revenue for the Treasury."

But like previous flat-rate proposals, Armey's has encountered the argument that it would be politically impossible to eliminate tax deductions related to home ownership and charitable contributions.

Armey responds that while sharp reductions in tax rates during the Reagan administration lowered the value of such deductions, home ownership and charitable giving grew because of economic growth stimulated by the tax cuts.

The idea of eliminating such deductions nevertheless remains controversial. Jay Shackford, public-affairs vice president of the National Association of Home Builders, says his organization would have "serious reservations" about eliminating mortgage-interest and property-tax deductions from the tax code. "Tax policies that encourage home ownership have produced great benefits to the nation in terms of social stability and stable neighborhoods," he says.

Because the availability of such deductions adds to the value of a home by making ownership more attractive to buyers, the economic ramifications of the abolition of such deductions would be substantial, Shackford adds.

"Of 100 million housing units in this country, some 65 million are owner-occupied," he says, noting that the latter have a combined value of $4 trillion. "For many of those owners, their equity is a form of savings, a nest egg for retirement or other purposes."

Meanwhile, Independent Sector, an association representing groups engaged in philanthropic fund-raising, says it would aggressively oppose the elimination of the deduction for charitable contributions.

Trends under various tax-law revisions suggest that "tax incentives really do make a difference," said Bob Smucker, vice president, government relations, of Independent Sector.

His association's research shows that 31 percent of charitable contributions, which now total $100 billion a year, were tax driven, he said.

A flat-rate tax on the order of the 17 percent suggested by Armey would reduce the tax incentive for contributions to 17 cents from as much as 40 cents, which current tax law results in, and cause "a substantial reduction in charitable giving," Smucker said. He added, however, that his organization would prefer retaining the charitable deduction at a lower tax rate to eliminating it.

Armey says past efforts to win congressional approval of a flat-rate tax have foundered because its advocates "weren't stubborn enough" and gave in to demands for retention of specific deductions. "Making that first exception is like introducing a virus into a computer system," he says. "Pretty soon it destroys everything."



Retailers oppose *moves to discourage sales via tax-policy revisions.*

The Archer Plan

If he succeeds in his goal of abolishing the present income-tax system, Ways and Means Chairman Archer would replace it with some form of consumption tax. He says the specifics of his plan are being developed and that he is determining "which type of design is best for the United States."

When that is done, Archer adds, he will launch the debate over alternative tax systems at congressional hearings, possibly this year.

But preservation of the present system is not among those options. "I have lost confidence that we can ever fix the income-tax system," Archer says. "We have to find a new concept." Tax-reform goals, he says, should include simplification, incentives for savings and investment, extension of tax compliance to the underground economy, and recognition of the U.S. role in a global economy where the nation "is in a competition that we must win."

"The present system fails on all of those counts," Archer says. "It seems clear to me that the only tax that can succeed in achieving those goals is some type of a broad-based consumer tax that completely and totally replaces the present system." Under the system that he envisions, "there is no tax on savings and investment. You don't pay taxes until you consume."

To aid U.S. competitiveness in world trade, Archer says, the taxes would not apply to U.S. goods being shipped for sale overseas but would affect imports destined for sale in this country. Those steps would be designed to be "GATT-legal," he says, meaning that they would be acceptable under the General Agreement on Tariffs and Trade, which sets international rules—including those involving tax policy—on trade.

While agreeing to consider a flat tax, Archer nevertheless says that he has "sort of matured" beyond that concept. "We are looking at a very different world in the next century," he says of the trade aspects of tax policy. "A flat tax cannot be waived at the border. It cannot be removed. Nor can it be charged to incoming products at the border."

His goal, he says, is a tax code "where the cost of our government can be offloaded onto incoming foreign products when they enter this country. . . . If we

How The Income-Tax Burden Is Distributed*

Adjusted Gross Income	Percentage Of Total Returns Filed	Percentage Of Total Tax Revenue
Up to $25,000	56.4	8.1
$25,001-$50,000	25.5	22.2
$50,001-$75,000	10.4	18.5
$75,001-$100,000	3.5	10.8
$100,001-$500,000	3.1	25.0
Over $500,000	0.2	15.0

*For 1992, the latest year for which figures are available.

SOURCE: U.S. INTERNAL REVENUE SERVICE, "STATISTICS OF INCOME BULLETIN, FALL 1994"

can do that, we can build a margin of 30 to 40 percent differential between our products and foreign products." The result, Archer predicts, will be "better, higher-paying jobs for millions of Americans."

While Archer is not ready to specify what type of consumption taxes he will recommend, the two most frequently discussed are a national sales tax and a value-added tax, or VAT, which is widely used in European countries.

A sales tax, as residents of the many states using them are aware, is generally paid by the end purchaser at the retail level. Many states exclude certain basic items, such as food and prescription drugs, from the tax.

A value-added tax is assessed at each stage of the process by which raw materials are converted into products and then sold. The tax is based on the value added at each point. In computing the tax, companies along the production chain deduct the amount paid for materials from the amount for which the product was sold, paying a tax on the balance, which represents the value added.

A Congressional Budget Office report on potential new tax sources indicates that a VAT could be a source of vast new revenue. (See the chart on Page 24.)

The report estimates that a VAT levied at a relatively low 5 percent without exemptions could raise over $600 billion over the first four years it was applied, or $319 billion if food, housing, and health-care expenses are excluded from the tax.

Critics of a VAT say that its strong money-raising capability is exactly the reason it should not be considered. They say that Congress could simply notch up the rate a point or two every time it wanted more money. Archer replies that all taxes need to have limits placed on them.

The Congressional Budget Office notes that a VAT, "like any new tax . . . would impose additional administrative costs on the federal government and additional compliance costs on business."

While Archer does not want to suggest that he is leaning toward a VAT as his preferred consumption tax, he says that his plan will be designed to eliminate excessive compliance costs from the tax system, not add to them.

But opposition to consumption taxes is strong just where it could be expected—in the retail sector. The National Retail Federation said in a recent letter to all members of Congress: "The retail industry has always strongly opposed any sort of consumption tax or 'value-added tax' as being harmful to our industry, our 20 million employees—one in five workers in America—and our customers."

John C. Dill, the federation's senior vice president for governmental affairs, told the lawmakers that retailing is a $2 trillion industry that accounts for one-third of gross domestic product. He said that enactment of a value-added, sales, or other consumption tax "would produce massive upheaval in our economy, drastically shift the tax burden among various economic sectors and taxpayers, thereby producing 'winners' and 'losers,' and would undoubtedly spawn numerous unintended consequences."



PHOTO: ©TERRY ASHE—GAMMA LIAISON

Senate Finance Committee Chairman *Bob Packwood will also have a major role in reshaping U.S. tax policy, but he is presently not committed to any specific proposal.*

While Archer says that elimination of the present income-tax system would be a nonnegotiable prerequisite to implementation of his consumption-tax plan, an argument lodged frequently against the VAT is its potential for becoming an add-on tax, not a replacement.

The Congressional Budget Office report that cited the income potential of a VAT did so in the context of a broad menu of new revenue sources to reduce the federal deficit. The budget office noted that "a VAT might be preferable to an income-tax increase," a comment that did not rule out the prospect of having both types of taxes in effect.

The Domenici-Nunn Plan

In offering their tax-reform plan, Sens. Domenici and Nunn said in a joint statement that the current tax code "is doing a good job of discouraging savings." As a result, there are investment shortages that result in insufficient growth, stagnating incomes, and a loss of high-wage jobs, they added.

Specifics of their proposal—the Unlimited Savings Account (USA)—are still being drafted, but the sponsors have identified two major components:

Individual Taxes: Income would include wages, salaries, interest, dividends, earnings withdrawn from unincorporated businesses, proceeds from asset sales, and similar cash flow. There would be a "very generous standard deduction," probably in the range of $20,000 to $25,000 for a family of four.

The main feature of the proposal is an additional deduction for income put into savings. "That is the key," the senators say. "You save money, and you would deduct that money before you pay taxes. It is fundamentally different from what we do today."

The savings would be computed on a year-end to year-end basis. There would thus be no advantage to shifting money among various forms of savings and investment or to putting funds into savings accounts and investments with the intention of immediate withdrawal.

Deductions for home-mortgage interest and charitable contributions would be retained, and deductions would also be allowed for postsecondary tuition. The sponsors warn, however, that "there is a trade-off—the higher the number of deductions, the higher the rates."

In addition to the family allowance—the plan's equivalent of the standard deduction—lower-income taxpayers would receive a credit equal to the current Social Security tax, against the amount of income taxes due.

Business Taxes: All businesses, regardless of whether they are incorporated, would be taxed alike. After deduct-



Elimination of deductions *related to home ownership is one of the most controversial elements of flat-tax plans.*

ing expenses from gross sales, companies could further deduct the full costs of new plant and equipment—but not wages—for the year in which those expenses were incurred.

The balance would be taxed at "a low and flat rate," probably 10 percent or less. Taxing net cash flow rather than profits would be a fundamental change, the plan's sponsors say.

Businesses would also receive the credit against taxes due for their share of Social Security payroll taxes.

Products exported would not be taxed, but imports would be taxed on the same basis as products sold in this country.

Profits earned by U.S. companies overseas would not be included in their tax base, while profits of U.S.-based subsidiaries of foreign companies would be.

Although the Domenici-Nunn plan would eliminate about 75 percent of the current tax code's 700 sections, Domenici and Nunn point out that "in the final analysis, everybody pays taxes. That is not going to change. We are not offering a tax cut or tax increase. We are proposing a change in the way our democracy raises revenue."

They describe the principal message of their plan to individuals in these terms: "If you choose to defer some of your current consumption in favor of savings income for your future and the future of your children, the tax code will not penalize you for doing so."

And to business: "If you choose to invest your profits in a new machine or a new process that will help you grow and put more people to work, the tax code will help make this feasible."

While the Domenici-Nunn plan shares some key goals with the Armey and Archer proposals, it conflicts with those plans in aspects that will ensure heated debate when the question of an alternative tax system moves to center stage over the next few years.

Its call for progressive tax rates conflicts with Armey's bedrock view that a flat rate is crucial to simplicity and fairness. And the retention of some deductions in the senators' plan goes against the House majority leader's strategic view that allowing some deductions opens the door to a stampede of demands for similar protection for other tax-relief provisions.

And given the take-no-prisoners stand of Ways and Means Chairman Archer on what should be done with the IRS, he is not apt to look kindly on the Domenici-Nunn plan's claim to simplicity because "the administrative apparatus to collect the tax is already in place."

The plan will also be closely scrutinized by business owners and managers eager for tax-policy changes that encourage capital formation but who want to know more about adopting national policies specifically designed to discourage the consumption on which they rely for income and profits.

Because of the heavy agenda facing the new Congress, no sponsors of the major proposals for an alternative tax system are setting timetables or deadlines for consideration and discussion of their far-reaching proposals.

Given the vast economic, social, and political implications of fashioning a new tax system for the 21st century, tax-policy experts say that such a project could easily extend over a period of years.

Prospects are that the GOP leadership will have enough of a challenge in dealing with the complex issues on their legislative agenda while preparing for the 1996 presidential and congressional elections that will test the staying power of the party's 1994 successes.

No one involved in the issue shows any sense of urgency for immediate action, and all believe there should be a long process of grass-roots education and discussion as necessary preliminaries before the legislative process begins. That schedule is one that business generally prefers, given the tremendous impact that the various proposals would have.

The National Retail Federation sums up that approach when it tells members of Congress that while the tax code can be improved, they should approach its reform "in a manner that allows every citizen to gain a full understanding of the benefits as well as the drawbacks to any proposed change." NB

To express your opinions on tax-reform issues, see Where I Stand, on Page 72.

To order a reprint of this story, see Page 69. For a fax copy, see Page 28.

Income Potential Of A Value-Added Tax

Estimated revenue from alternative versions of a 5 percent rate,* in billions of dollars

Rate/Exclusions	1996	1997	1998	1999	Four-Year Total
5 percent, no exclusions	$96.3	154.9	172.4	184.3	607.9
5 percent, with food, housing, and medical care excluded	$50.6	81.4	90.6	96.9	319.5

*While the CBO study used a 5 percent rate, a VAT that collected as much revenue as the current income tax would have to be much higher.

SOURCE: CONGRESSIONAL BUDGET OFFICE, U.S. CONGRESS, "REDUCING THE DEFICIT: SPENDING AND REVENUE OPTIONS. A REPORT TO THE SENATE AND HOUSE COMMITTEES ON THE BUDGET, 1994"



It suggests both Fortune 500 and Indianapolis 500.

Calfnap-grained leather-trimmed seats. Cavernous space thanks to its innovative cab-forward design. A premium 120-watt Chrysler/Infinity Spatial Imaging™ Sound System with no fewer than 11 speakers. And, of course, driver and front passenger air bags.† Why, with all that, you'd think we made this car exclusively for the corporate elite. Enter a 214 horsepower, 24-valve, 3.5 liter V6 engine. Road-touring suspension and low-speed traction control. Plus a wide track for superior handling. And you'd be apt to think racing elite. Chrysler LHS. Whatever circles you drive in, you'll be comfortable in both. For more information, call 1-800-4-A-CHRYSLER.

Chrysler LHS

form follows function



Fortune 500 is a registered trademark of Time Inc. Indianapolis 500 is a registered trademark of IMS Corp. †Always wear your seat belt.

MANAGING

Do-It-Yourself Workers' Comp

A growing number of small companies are cutting costs by joining self-insured pools.

By Roberta Reynes

Four years ago, Bill Strouss' small costume-jewelry manufacturing company in Providence, R.I., was paying dearly for workers' compensation insurance. Like most businesses in Rhode Island, Parker Manufacturing Co. was forced to buy workers' comp insurance from the state's high-risk pool because private insurance companies had all but left the market.

But Strouss found a way to cut his insurance costs and make his 30 employees safer: He helped launch a self-insured group in his state that initially brought together 70 small jewelry manufacturers and related businesses in a pool to pay their own workers' comp bills. The Jewelry Industry Risk Management Association now has 144 members.

Strouss' risk-pool insurance rate was $6.50 per $100 in payroll—more than three times the national average. Once the self-insurance group was established Jan. 1, 1991, his premiums dropped 15 percent. Since then, Strouss' company, now with about 40 employees, has seen rates drop by almost 10 percent more, to $4.97 per $100 in payroll costs, as a result of an improved accident record.

Parker Manufacturing is just one of hundreds of small companies across the country that have joined self-insured workers' comp groups in recent years.

Nationally, workers' comp premiums cost U.S. employers about $65 billion a year, according to the National Council on Compensation Insurance (NCCI), which collects workers' comp data. Self-insurance accounts for an estimated one-third of the total, up from one-fifth in 1986.

Self-insured groups (SIGs) are the driving force in the upswing. "In the last five years, most of the growth in self-insurance has come from groups," says Douglas F. Stevenson, executive director of the Chicago-based National Council of Self-Insurers.

Larger companies typically self-insure without joining groups, but going it alone isn't practical for small employers. You need at least $500,000 in annual premiums even to contemplate it, says Jim Walter, president of ManagedComp, a SIG administrator in Waltham, Mass.

One reason for SIGs' growth is that more states are allowing them. In 1986, only 20 states permitted groups. Today, the number is 35, including California and Pennsylvania, which joined the ranks last year. State-by-state market conditions affect fund growth, too. Many traditional insurance carriers have closed up shop, saying that legislators set workers' comp insurance rates so low that insurers couldn't make a profit. This drives small companies—sometimes virtually all of them—into a state's residual market, or high-risk pool, a source originally designed for employers who didn't qualify for traditional coverage. In the pools, businesses generally find prices high and service less than satisfactory. As a result, the market is ripe for SIGs.

Jean Molnar, self-insurance market manager at NCCI, underscores the connection: "From all indications, self-insurance is growing rapidly, as residual markets continue to grow."

Sometimes, the growth of SIGs can be dramatic. In Massachusetts, where the residual fund accounts for about 65 percent of all premiums, SIGs jumped from one in 1988 to 27 today. Georgia had 10 funds four years ago; now it has 22. More SIGs may spring up there as the residual fund, now at 25 percent of all premiums, continues to climb.

Other growth areas for SIGs include Michigan, Illinois, and Maryland. In Florida, where SIGs mushroomed to 34, expansion has halted as a result of regulatory changes and market saturation.

How A SIG Works

Under the right circumstances, say fund members, SIGs save money—often dramatically so—over the residual market and even private insurers.

In a SIG, a group of employers forms a nonprofit corporation or trust. The group pools the money it would otherwise pay an insurer, earning investment income on funds held in reserve. If the group's program cuts down on workplace injuries and claim costs, the surplus, or "dividend," from premiums is returned to members. If a company or the group as a whole has catastrophic losses, members must pay the difference.

The fund is headed by a board of directors chosen from covered companies. The SIG hires an administrator to manage operations, including loss-prevention and safety-engineering services, member training, case management, claims handling, and financial management.

Administrators often service several funds. Bill Strouss' Rhode Island jewelry SIG is handled by Abacus Management Group Inc., in Cranston. Abacus also runs



PHOTO: ERICK FREEDMAN—BLACK STAR

By joining a pool *with other Rhode Island jewelry makers, Parker Manufacturing cut its workers' comp premiums by 15 percent, owner Bill Strouss says.*

Roberta Reynes is a free-lance writer in Spencertown, N.Y.

manufacturing and automotive SIGs in the state, and it plans to expand throughout New England.

Some administrators are logical offshoots of established companies: ManagedComp of Waltham, Mass., a subsidiary of the Tufts Associated Health Plans, Inc., grew out of a health-maintenance organization. ManagedComp provides services to 60,000 employees in five states.

A newer SIG supplier, the Travelers Insurance Cos., began work for its first fund more than two years ago and now has about 10 funds in seven states.

When SIGs work well, there is a serious commitment on the part of both the administrator and the client. This involves a basic rethinking of the idea of insurance as many know it. Jim Walter, president of ManagedComp, says business owners should stop thinking of workers' comp as a commodity and start thinking of it as a cost center to be managed.

Dr. Mike Follick, president of Abacus, says: "I look at this not just as a way of helping with workers' comp costs but also helping small business develop certain problem-solving and management skills, which can then be applied to other areas." Both ManagedComp and Abacus teach injury prevention and other strategies designed to reduce workers' comp claims and costs. At the same time, their case management involves detailed follow-through, such as close contact with the injured worker during recuperation.

Businesses in SIGs run by Abacus and ManagedComp save money on their initial premiums because the SIGs have a history of lower payouts than competitors. They save again as their fund demonstrates low payouts going forward and a surplus is returned to them.

Payouts are measured by a "loss ratio," the amount of claims paid out as a percentage of premiums. The national average for all insurers combined is over 70 percent. A good SIG does much better. Abacus' group for manufacturers holds payouts to 25 percent. While ManagedComp's average for all of its funds is 40 percent, its wholesale-retail SIG has a surprisingly low rate of about 15 percent.

Savings For Small Firms

Taken together, the initial premium savings and the surplus can mean a huge difference to a small business. Take Steve Connolly Seafood, a Boston processor and distributor of fresh fish, with 70 employees. Jack Curley, the company's chief financial officer, helped shepherd the company into ManagedComp's wholesale-retail program in 1992, when its insurance carrier pulled out of the state. "In our case, you're talking an initial discount of 10 percent to 12 percent of a couple hundred thousand dollars," he says.

Then there is the surplus: A member's dividend is based on both the group's and the individual's loss experience. Curley says: "For the last four months of 1992 when we joined ManagedComp, we had a surplus of almost $11,000. For 1993, our surplus is $114,000. So, with less than 1½ years, there is $125,000 that we are going to get. It's fantastic."

Those who come from the state risk pool are at least as happy as Curley. Jerry Desjardin, vice president for operations at Kimball Co., an East Longmeadow, Mass., manufacturer of protective packaging materials, says: "Since joining ManagedComp, my comp costs have unequivocally been cut in half."

Sue Stevens, workers' comp coordinator for the Holyoke Visiting Nurse Association, says the organization was attracted by not only the savings but also ManagedComp's approach. "Insurance companies may have someone drop in once a year, when the policy is being renewed," Stevens says. "And one adjustor might be handling two of your claims, another person, two more. In contrast, with ManagedComp, a team is assigned to the association—an account manager, a claims adjustor, plus medical and loss management people. They get to know your particular operation in detail."

SIG members say that a good administrator provides customized assistance. Sidney Goldman, president of Greylawn Foods, a 45-employee refrigerated-foods distributor in Cranston, R.I., offers an example. He is in the Rhode Island manufacturers group, which is affiliated with the Smaller Business Association of New England (SBANE), headquartered in Waltham, Mass. Goldman points out that his business involves a lot of lifting.

At Abacus' urging, he now gives new hires a B200 back exam, which measures an individual's capacity for lifting. Used in conjunction with a range-of-motion study, it sets a baseline. An employee who gets hurt can't come back and say: "I used to be Superman before the injury."



PHOTO: ERICK FREIDMAN—BLACK STAR

Belonging to a self-insured group *has resulted in a $125,000 surplus for Boston-based Steve Connolly Seafood, says Jack Curley, chief financial officer.*

"The B200 is expensive [about $200 a test]," says Goldman, "but it is worth every penny."

Weighing And Managing Liability

The disadvantages widely associated with SIGs—namely, the risks of "joint and several liability" and very selective screening of new members—may be overemphasized in some cases.

"Joint and several liability" is always cited as the big drawback to SIGs. The phrase means that group members are responsible for catastrophic losses of other members or for a terrible experience for the fund as a whole. To protect themselves, SIGs carry catastrophic insurance, also called "stop-loss" and "excess" coverage.

For example, at ManagedComp, any single claim of $250,000 or more goes to the stop-loss insurer. There is also aggregate protection, which is triggered if the whole group has a bad year.

For many SIG members, joint and several liability [J&S] is all but a nonissue. For example, the auto dealers' fund administered by Abacus has payouts running a mere 20 percent of premiums. Marc Charren, secretary-treasurer of

Majestic Motors, a new-car dealer and SIG member in Warwick, R.I., says: "I don't even think about J&S. We would have to have 100 percent of our premium gone, then go to stop-loss." Bill Strouss, the jewelry maker, isn't worried either. "We'd have to give back our 15 percent discount," he explains. "Then reinsurance kicks in up to $10 million for aggregate."

How tough is the screening? Abacus and ManagedComp say that if you have a commitment to safety and are a profitable business without a major problem, you can probably pass muster.

Jack Curley of Steve Connolly Seafood describes the attitude an applicant needs for acceptance: "You *must* care about the employees. You want them to get better from any type of injury. You want to preserve their paycheck for them, to the extent possible, to bring them back for 'light duty' at the earliest moment." Light duty is a temporary, physically less demanding assignment at full pay for a recuperating employee.

Bill Strouss of Parker Manufacturing estimates that only 2 to 3 percent of applicants to his SIG are turned down. If they are, he says, the reason is likely to be something like antiquated machinery, a lack of safety procedures, or a terrible loss history.

The Latest Summary

The *1995 Analysis of Workers' Compensation Laws* provides an up-to-date, state-by-state summary of workers' comp laws and benefit levels. Published by the U.S. Chamber of Commerce, the publication is $15 for members and $25 for nonmembers. Bulk-order discounts are available. To order, write to the U.S. Chamber of Commerce, Publications Fulfillment, 1615 H Street N.W., Washington, D.C. 20062-2000, or call 1-800-638-6582. In Maryland, call 1-800-352-1450. Request publication No. 0410.

Travelers is more selective. Marc Parvan, the carrier's national marketing director for SIGs, in Hartford, Conn., says: "Our Massachusetts manufacturing group has roughly $1.5 million in premiums. To get that, we turned down $6 million. The applicants didn't qualify on losses and financials." Travelers wants companies "with a neutral MOD, meaning 1 or below," says Parvan. MOD is a national loss-history rating. If your MOD is 1, your accident history is average.

Travelers also wants "decent financials," that is, a ratio of net worth to premium of from 5-to-1 to 10-to-1, depending on the industry. The wholesale-retail group, for instance, is 5-to-1.

Once accepted into a SIG, small-business owners have an incentive to take their safety responsibilities seriously, knowing that their own financial fate hangs in the balance. Expulsions are rare.

If you want to join a SIG, check with your property and casualty insurance agent to find out what's available in your area, advises Jim Walter of ManagedComp. Then look at the prospective administrator's history on losses and dividends. He adds: "Ask for their customer list; call up two or three. Ask them: What did the administrator do to help prevent injuries? If somebody is injured, what do they do?"

While the details of a SIG can seem complicated at the beginning, don't be put off, proponents say. "I'm sure there are different circumstances," acknowledges Jerry Desjardin of Kimball Co. "But I think any small-business person must take a look at this. The potential for savings is tremendous." NB

To order a reprint of this story, see Page 69. For a fax copy, see below.

Nation's Business MarketFAX

NEW! Reprints via FAX!

Get the Facts. *Right Now!*

Small-Business Information Instantly Accessible via Fax.

Nation's Business' new **MarketFAX** service gives you quick and easy access to the small-business information you want and need. You can now order current and past articles from *Nation's Business* and receive them via fax ***instantly!***

◆ **Articles Now Available:** ($4.95 per article)

817 **Blockbuster Tax Reform:**
- Major proposals in Congress to overhaul the tax system will set off broad debate over their implications.

818 **Do-It-Yourself Workers' Comp:**
- A growing number of small companies are cutting costs by joining self-insured pools.

819 **Product-Liability Reform . . . Maybe:**
- The chances look better than ever for genuine change, but no one's relaxing just yet.

820 **Small Business Financial Adviser:**
- The IRS's industry-specific scrutiny; plus reports on investments, taxes, and banking.

821 **Letting Experts Run Your Pension Plan:**
- As federal rules for pension plans grow more complex, small-business owners are turning to professional plan administrators.

◆ **Best-Seller List:**

800 • Find out which articles are the most-requested by more than 850,000 *Nation's Business* subscribers. Call now to receive your **FREE** copy of this latest best-seller list.

◆ **How To Order:**

To order, call toll-free 1-800-597-7363 and enter the number of the article you are requesting; then enter your credit card number* and fax number. The article will arrive within minutes.

* Visa, MasterCard, or American Express

◆ **Call Now!**



7 DAYS A WEEK CALL TOLL-FREE 1-800-597-7363 24 HOURS A DAY



Discover Manhattan's hidden jewel.

There's an excellent reason to avoid those big impersonal hotels, and this is it. Step inside this turn-of-the-century brownstone and you'll find all the old-world charm of a fine European hotel. Since the 1920s, those in the know have lauded our gracious service and attention to detail. For reservations, call 1-800-22-DORAL or your travel professional.

Doral Tuscany Hotel

Your home in the city.

1-800-22-DORAL • LOCATED AT 39TH OFF PARK AVE.

Doral Hotels & Resorts · Award-Winning Resorts & Spas · Deluxe Metropolitan Hotels
Championship Golf Courses · Premier Conference Centers

567,648,000 seconds to college.

567,647,999 seconds to college.

567,647,998 seconds to college.

567,647,997 seconds to college.

567,647,996 seconds to college.

567,647,995 seconds to college.

567,647,994 seconds to college.

567,647,993 seconds to college.

567,647,992 seconds to college.

Presenting the most comprehensive college savings plan anywhere. And not a second too soon.

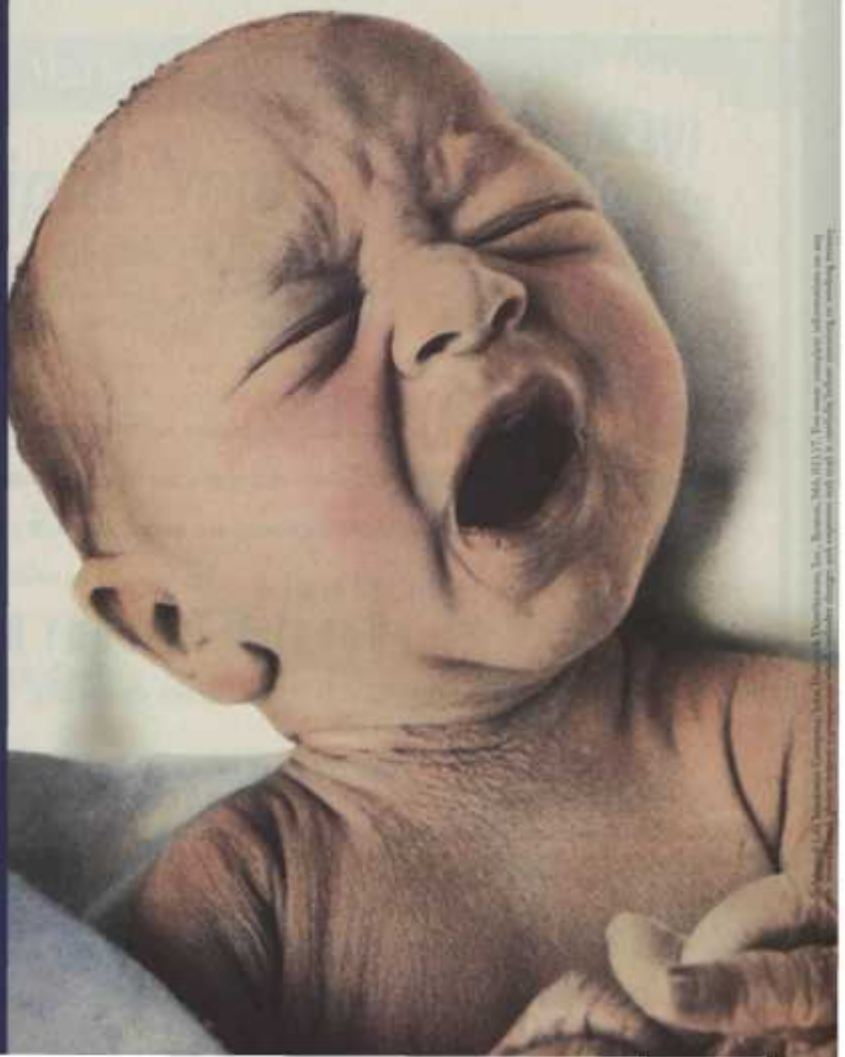
John Hancock has made the countdown to college easier to handle; with College Savings Plus, the most complete college savings program available.

Working within your family budget, **College Savings Plus** lets you invest in everything from mutual funds and annuities to life insurance (so your kids can go to college even if something happens to you). And it offers many unique extras. Including guidance on the best colleges in your price range, even complete, up-to-date information on loans and scholarships.

Call for our free video or computer disk. But hurry. The clock is ticking.

John Hancock WORLDWIDE SPONSOR

For a free informative video or computer disk, call 1-800-633-1809, ext. 213.



MANUFACTURING

Small Factories' Big Lessons

Making products competitively in the next century won't be easy, but some entrepreneurs are showing how right now

By John S. DeMott

ENTERPRISE 2000

Simon Taub and Scott Haigh run factories on opposite sides of America, each making different things and using varying levels of technological sophistication. Between them they offer valuable lessons to small manufacturers on how to prepare for the demands of the 21st century.

At one extreme is Taub's company, Techknits Inc., which uses $8 million worth of computerized looms and other machinery to compete successfully against low-cost sweater makers in the Far East. What's more, he does it in one of the most expensive cities on earth: New York.

At the other extreme, Haigh's company, Fairchild of California, near Los Angeles, employs immigrant workers in a low-tech, labor-intensive factory to produce upholstered furniture at prices and quality competitive with those of any other maker in the U.S. or elsewhere.

In style and substance, both Haigh's and Taub's operations represent what experts see as the "new face" of U.S. manufacturing as it heads toward the 21st century. Manufacturers will be small and agile, able to react quickly to customer demands, producing "small-lot quantity at world-class quality and cost," according to Charlie Duncheon, sales senior vice president of Adept Technology, a robotics maker in San Jose, Calif.

Some, like Techknits, will bristle with the latest computer technology. But others, like Fairchild, won't. Nearly all will cater to niche or local markets—or both—rather than mass markets.

The demands of the coming century will lead to a decentralization in manufacturing, with fewer giant plants and more smaller ones scattered throughout the country in local markets, experts say. Michael Wozny of the U.S. Commerce Department's National Institute of Standards and Technology calls it "distributive manufacturing"—putting plants closer to customers.

The proliferation of factories that Duncheon forecasts will raise the number of plants from the current 370,000 to as many as 500,000. Manufacturing will still account for about one worker in every 17—just as it does today.

Computerized machinery will play a starring role in many factories, greatly increasing employee productivity and enabling small manufacturers to fill varied needs faster. "What we're moving toward is fewer people per dollar of output," says John Caruso, director of manufacturing for Cabletron Systems Inc., a major supplier of electronics for computer networks, in Rochester, N.H.



PHOTO: WAYNE SORCE

High-tech *manufacturing for the 21st century: A computerized loom improves competitiveness for sweater maker Simon Taub.*

Speed And Technology

Techknits, which expects sales of about $20 million this year, competes effectively with foreign manufacturers chiefly by completing orders faster with the help of a heavily computerized manufacturing process.

Taub, the firm's chief executive and principal shareholder, says Techknits' sweaters aren't substantially cheaper than imports. His biggest advantage is in being able to deliver in six to eight weeks, compared with six to eight months for overseas producers. "Customers can call me up in September," Taub says, "and they can tell me that an item's selling good and they need another 40,000 pieces. And I can do it. By the time it's made in the Orient, the season's over."

What enables Taub to do this are electronic looms that weave cloth quickly from cotton and artificial fibers and run 24 hours a day, plus other machines that swiftly cut the fabric into parts for sweaters.

Opened in 1986 with $5 million raised through the sale of stock, Taub's 160,000-square-foot plant on Grand Avenue near the Brooklyn Navy Yard turns out 60,000 sweaters a week; they are shipped to Kmart, J.C. Penney, Caldor, and other national merchandisers.

Before using computers for designing sweaters, it took two days of sketching on a drawing pad and setting up a machine to cut a garment's parts. Now, working from a drawing or a photograph, Taub can accomplish the same tasks in two hours. Looms, which once required one person per machine, now can be run in groups of four by one mechanic.

Advanced technology has replaced people in the weaving and cutting end of

Taub's business, but employment has risen sharply in operations such as stitching the parts of a sweater into a ready-to-wear garment. As a result, Techknits' employment has gone up, from 250 five years ago to about 400 now. Salaries average $7 an hour, Taub says, but skilled workers such as mechanics who tend looms earn $18 an hour and more.

The Lower-Tech Road

While Techknits is benefiting from a higher level of computerization, some companies are in industries where computers fit in awkwardly or don't fit at all. Such firms have a lower technological comfort level, and they probably will be producing goods into the next century much as they do now.

Fairchild, with $10 million in sales annually, travels a lower-tech road—and not so much by choice. High-tech manufacturing processes haven't invaded the upholstered-furniture field. Because labor costs account for only about 17 percent of his wholesale costs, says Haigh, heavy investments in automated equipment aren't worth the financial commitment.

"I travel all over the country, visiting trade shows to see if any of that type of equipment will benefit us," says Haigh, Fairchild's 34-year-old president and son of its founder, Walter Haigh. "Some of our competitors use it. But the bottom line is that your volume has to be high to justify the payout. But if the price becomes attractive, we'll jump on it big time."

Operating in a 90,000-square-foot plant in Whittier, Haigh employs 100 people, all Hispanic, at wages ranging from $13 an hour for upholsterers down to about $9 an hour for frame assemblers. Most are employed on a piecework basis, Haigh says, and they "have the most incentive to work at a higher rate, and that's what drives the production."

Haigh says his type of operation can't replace the thousands of highly skilled manufacturing jobs lost in California's now-moribund defense industry; new opportunities for these displaced workers will have to come through high-tech jobs in exporting industries. But companies like Fairchild will play an important job-generating role, particularly in labor-intensive niche markets where the work of machines can't match that of employees. For plaid sofas, for example, lines in fabric must be matched with precision, both vertically and horizontally. At Fairchild, it's done by skilled people, not by machines. Says Haigh: "We've challenged our factory and the workers here to make a more sophisticated product."

That brings Haigh to Fairchild's community role—providing jobs for the new and unskilled immigrants who are expected to continue coursing into California far into the next century.

"We're pretty proud of the people who work here," says Haigh. "And they've made a very good life for themselves, starting out 20 years ago sweeping floors and making back then what was minimum wage of $2 an hour and then working up to upholsterers or managers in different departments. Their kids are in college. So that's good to see."

Fairchild's biggest customer is Ikea, the Swedish furniture retailer, for which he supplies about 6,000 sofas a year for sale in Ikea outlets in California and Washington.

Haigh beat several competitors in getting the contract about three years ago, not because of high-tech manufacturing wizardry but because of good workmanship and top quality, he says, delivered on schedule. Says Haigh: "Ikea understands the nature of manufacturing better than any other account I've ever worked with."



PHOTO: PATRICIA LANZA

Low tech *will be a part of manufacturing's future: In Scott Haigh's sofa-making company, near Los Angeles, people do better work on some tasks than machines can.*

The Middle Ground

Many small and midsize U.S. manufacturers find themselves somewhere between the Taub and Haigh models, neither high- nor low-tech but shifting toward computer technology as needs dictate, while holding to their dedication to quality products.

Spangler Candy Co., in Bryan, Ohio, has gone about as far down the computerized road as it can, at least for now. Spangler starts Christmas candy-cane production in February or March at a clip of 1.5 million a day, with the production stored until the holiday shipping and sales season begins.

Since 1988, automation had helped Spangler wrap the canes in a thin film, gather them, and pack them individually in tiny cradles in boxes of 12, which are then put into cases that hold 36 boxes, which are themselves wrapped in a film to ensure freshness.

Before the machines came in, the candy was wrapped and packed by hand—at about half of current output.

Additional automation would enable the company to start production later, say in September, and save all the expense of storing millions upon millions of candy canes in a 215,000-square-foot warehouse until they're sold. But the added equipment would be prohibitively expensive, adding more production lines, more automation machinery, and more people—as many as 30 for each new line—says Dave Bauer, the engineer who directs Spangler's manufacturing. "We'd have to quadruple everything."

Though some small manufacturers are more technically advanced than others, and while still others are wondering just how far to run with new technology, for all small manufacturers one thing is certain: Customers in the 21st century will be demanding quality of factories regardless of their size. Says Steven Hroneck, chief manufacturing consultant for the Arthur Andersen accounting and consulting company: "Customers don't care how big or small the manufacturer is"—they just want products that are better and cost less.

As the new century approaches, manufacturers have their work cut out for them. NB

YOU FIGHT.

YOU GET

KNOCKED DOWN.

YOU COME BACK STRONGER.

A SALUTE TO THE 1995 NATIONAL BLUE CHIP ENTERPRISE INITIATIVE DESIGNEES.

NEW ENGLAND CONSTRUCTION CO., INC.
RUMFORD, RHODE ISLAND

PRIORITY MANUFACTURING, INC.
WOOD DALE, ILLINOIS

UROCOR, INC.
OKLAHOMA CITY, OKLAHOMA

HOSTS CORPORATION
VANCOUVER, WASHINGTON

All business owners face problems. It comes with the territory. But every year, a group of businesses truly distinguish themselves by showing remarkable creativity and resilience. Their stories offer real-world insight and inspiration to every business. With the U.S. Chamber of Commerce and Nation's Business, we honor this year's national Blue Chip Enterprise Initiative designees – not just for what they've accomplished, but also for the strength they bring to the business community.



Connecticut Mutual
The Blue Chip Company

©MCMXCV Connecticut Mutual Life Insurance Company, Hartford, CT

LEGISLATION

Product-Liability Reform . . . Maybe

The chances look brighter than ever for genuine change, but no one's relaxing just yet.

By John S. DeMott

Monday mornings during football season are anxious times for Julie Nimmons, chief executive of Schutt Sports Group of Litchfield, Ill., near St. Louis. That's when newspaper clipping services start delivering news of injuries to young athletes in the weekend's high-school games—a crude barometer of what lawsuits could be heading toward her company. Says Nimmons: "It's just a daily thing that we deal with. It's always there."

As one of only two surviving sports-helmet manufacturers in the U.S.—the other is Chicago's Riddell Inc., whose brand label was on players' helmets in January's Super Bowl—Schutt is exposed constantly to threats of product-liability lawsuits from angry parents and their lawyers who blame helmet failure for children's athletic injuries.

"I spent seven weeks in a courtroom outside New Orleans two summers ago," Nimmons says. "Unfortunately, a young man put his head down in a high-school football game and hit an opposing player and became quadriplegic."

Though she lamented the tragedy, Nimmons said the helmet was of sound design and workmanship and didn't contribute to the injury—a view subscribed to by the court, which ruled that the company was not liable. However, legal fees for Schutt and the other defendants amounted to $1 million.

Nowadays, Nimmons eagerly awaits an outcome of another sort—measures to limit product-liability lawsuits promised by the new Republican majority on both sides of Capitol Hill.

Product-liability reform has had bipartisan support in recent years, as it does this year, but it gained new prominence in the House this Congress as the ninth item in the 10-item Contract With America, the House GOP's legislative agenda for the first 100 days of the 104th Congress. The ninth item is titled the Common Sense Legal Reform Act, which includes other legal reforms.

In early March, the House passed, with heavy bipartisan support, a bill designated H.R. 956, which would limit product-liability lawsuits and set federal standards for such suits. The same bill would also limit medical malpractice suits.

Supported by many business organizations, including the U.S. Chamber of Commerce, product liability's House victory was hailed by Bruce Josten, the Chamber's senior vice president for membership policy, as "a common-sense approach to a national disgrace." For too long, he added, "American business has been terrorized by abusive lawsuits."

By June, the Senate is expected to take up a more modest reform proposal introduced by Slade Gorton, R-Wash., and Jay Rockefeller, D-W.Va., and co-sponsored by Connecticut's two Democratic senators, Joseph I. Lieberman and Christopher J. Dodd.

That bill, Rockefeller said in introducing it March 15, "is bipartisan and balanced." He added: "If today's product-liability laws achieve one thing, it's that they are an equal-opportunity victimizer. Injured consumers oftentimes find it impossible to get a just and prompt resolution, and just as frequently, blameless manufacturers are forced to spend thousands of dollars on baseless lawsuits."

A key difference between the Rockefeller-Gorton bill and the House-passed bill, Rockefeller said, is that the Senate bill proposes an alternative dispute resolution system as a way of getting parties to have their cases heard without going through the time and expense of a court trial.

Last June, a bill similar to the Gorton-Rockefeller legislation passed the Senate Commerce Committee 16 to 4, only to become victim of a successful filibuster led by then-Commerce Committee Chairman Ernest F. Hollings, D-S.C.

In the House, product-liability reform historically has been smothered by its opponents. They have never allowed a bill to get through a committee, let alone to the House floor for a vote.

Introduced by Republicans Henry J. Hyde of Illinois, chairman of the Judiciary Committee, Jim Ramstad of Minnesota, and Helen Chenoweth of Idaho, and Democrat Gary Condit of California, this year's principal House product-liability bill was called H.R. 10 before it became H.R. 956. Essentially, H.R. 956 is a stronger measure than H.R. 10 and closer to the standards included in last year's Senate bill, the one filibustered to death.

The liability standards in the House-passed bill would establish federal guidelines to supersede the current system of rules from 50 states and the District of Columbia.

The bill's most controversial provision limits punitive damages—those awarded to punish guilty parties. Such awards are made in addition to compensatory dam-

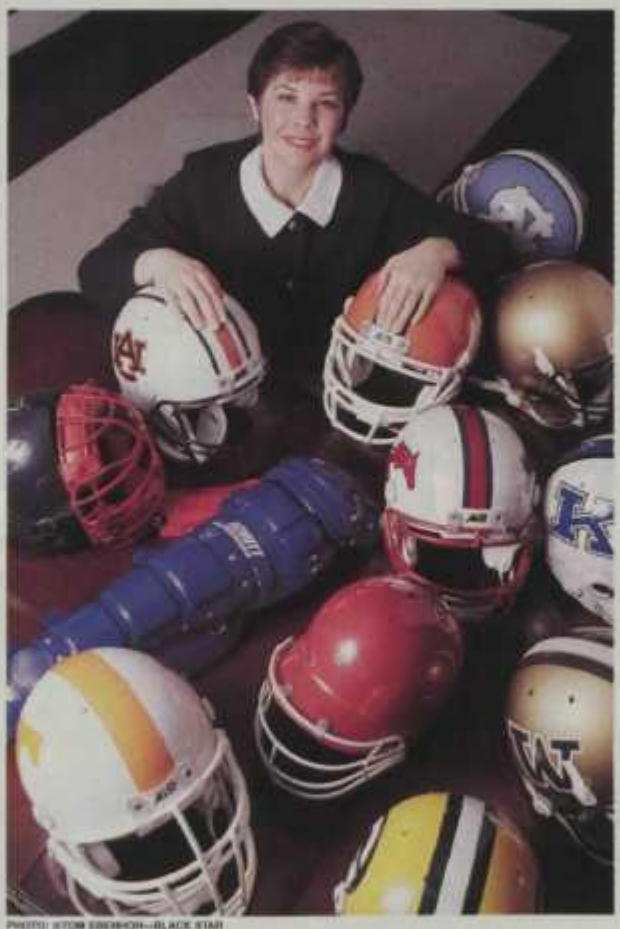


PHOTO: STOM EBERHOH—BLACK STAR

Football injuries *become a crude measure of her firm's exposure to product-liability suits, says Julie Nimmons, chief executive of Schutt Sports Group, a helmet maker.*

ages aimed at covering a plaintiff's pain and suffering. The bill restricts punitive damages to no more than three times compensatory damages or $250,000, whichever is larger.

It also makes punitive damages roughly proportionate to actual damages. Under current law, for example, a jury can award $1 in compensatory damages but millions in punitive damages, if it so chooses.

Prohibited under the bill would be lawsuits brought more than 15 years after the purchase or delivery of the product, unless an illness doesn't manifest itself in less than that time.

Eliminated in product-liability suits would be "joint and several liability," with the result that each defendant in a suit would be liable only for the amount of harm attributable to him. This change would limit the liability of retailers and wholesalers for products found to be defective.

To discourage frivolous suits, a separate House-passed legal-reform bill would require losers in some federal trials to pay at least part of the winner's attorneys' fees—up to an amount equal to the loser's own fees and only for charges after the last settlement offer was made. And another House-approved measure limits investor lawsuits against accounting firms and publicly held companies.

Most of the House product-liability bill was opposed by the Clinton administration on grounds it would hamper the ordinary citizen's ability to bring legal action against corporations and would pre-empt state laws with new federal regulations.

Reform could come none too soon for U.S. manufacturers and others in the line of fire of product-liability lawsuits.

The Product Liability Coordinating Committee, a group representing business interests, including the U.S. Chamber of Commerce, says that the number of product-liability suits increased between 1974 and 1990 from about 1,500 to some 18,000. By 1988, the PLCC says, 400 product-liability cases resulted in jury awards of $1 million or more.

Opponents of the current system say it fosters waves of lawsuits, many of them nuisance suits, against anyone and everyone in the "stream of commerce," with tentacles stretching into legal crevices far removed from the injured party.

In the case of sports injuries, that includes coaches and athletic directors, helmet manufacturers, and even the suppliers of materials, such as plastic, for those helmets. Says Tom Cove, lobbyist for the Sporting Goods Manufacturers Association: "The current system encourages lawyers and plaintiffs to go for the deep pockets."

Manufacturers say they're forced to shoulder heavy expenses because of product-liability costs. The Association for Manufacturing Technology, in Washington, D.C., which primarily represents machine-tool makers, did a study showing the product-liability "tax"—insurance, legal-defense, and related costs—works out to $10.8 million for every 100 product-liability cases filed against the industry. Reform could lower that by 41 percent, says Jim Mack, association vice president.

Says Mal Johnson, chief executive of Foamseal Inc., an Oxford, Mich., plastics manufacturer: "It's just ridiculous. A friend of mine makes swimming-pool liners. Some guy jumped off the diving board with too little water in the pool and cracked his neck. But he—my friend—is the main party in the lawsuit." That sort of legal action, Johnson says, is what reform should try to curb.

> **"If today's product-liability laws achieve one thing, it's that they are an equal-opportunity victimizer."**
>
> —Sen. Jay Rockefeller, West Virginia Democrat

While many current product-liability rules are essentially consistent from state to state, some vary widely. This leads to a degree of uncertainty for manufacturers as to who can sue, over what, and for what amount, and in what jurisdiction.

Nimmons characterizes the current system of conflicting rules as a hodgepodge —like "trying to play a football game with rule changes every two yards."

With the Republicans now in charge of Congress, product-liability reform has a better-than-even chance for approval. While no one's certain that reform will pass easily, Senate Majority Leader Bob Dole, R-Kan., recited a list of wrongs inflicted by the current system and said "this must stop. A system that encourages everyone to be a victim encourages too many lawsuits."

Larry Stewart, president of the Association of Trial Lawyers of America and a strong opponent of reform, says it would be a mistake to assume that reform is a foregone conclusion simply because the Republicans control Congress. "The [current] civil-justice system is very much the embodiment of Republican principles," he says. "It stands for individual rights without government interference, and for holding wrongdoers accountable."

Stewart also contends that reformers are making far too much of the need for product-liability reform and that the problem simply isn't as monumental as it's being made out to be. "They're making a mountain out of a molehill," he asserts. "Precious few lawyers make a living off product-liability litigation."

Stewart says product-liability claims are "really not out of control," adding that according to state court statistics, only 4 percent of all claims under tort law come from product-liability cases. Reform's proponents, he says, are exaggerating the impact of product-liability lawsuits while attempting to undermine the "right to sue" when products are genuinely dangerous or defective.

Reformers, though, do seem to have momentum on their side. The 103rd Congress passed, and President Clinton signed, a law limiting liability for U.S. manufacturers of small airplanes. But the biggest impetus behind reform, supporters say, was defeat in the November election of a number of reform's more powerful enemies.

Texas Democrat Jack Brooks, as chairman of the House Judiciary Committee, refused even to schedule hearings on product-liability reform, but he lost his bid for re-election; his successor is Hyde. Former Majority Leader George Mitchell, D-Maine, also an opponent, retired from the Senate.

Other strong opponents remain in office but are stripped of powerful Senate committee chairmanships, which they lost to Republicans more sympathetic to reform. Joseph R. Biden Jr., D-Del., no longer leads the Judiciary Committee, and Hollings is out as Commerce Committee chairman, although he's expected to try to mount another filibuster against reform this year.

At the same time, reform's supporters haven't wavered. Says Tom O'Day, lobbyist for the Alliance for American Insurers, a group of midsize property-casualty carriers: "The cadre of support is still in place."

In addition to such stalwart supporters of reform as Sens. Dole, Lieberman, and Rockefeller, the former but longtime chairman of the House Energy and Commerce Committee, John D. Dingell, D-Mich., is also a strong proponent of change.

Also behind reform: the National Governors Association and even the liberal-leaning Brookings Institution, which concluded in a 1991 book, *The Liability Maze*, that there was little evidence that stiff damage awards in product-liability suits lead to safer products.

Reformers believe their time has come, and what lobbyist Cove calls the "new American ethic that someone pays when someone gets hurt, regardless of guilt or negligence," must end. NB

To order a reprint of this story, see Page 69.
For a fax copy, see Page 28.

ENTERPRISE

Learning Curves, Growth Curves

Each of the four national Blue Chip Enterprises showed courage in crisis and went on to craft a solid future.

By Sharon Nelton

Businesses are often exhorted to "grow or die." But for the heads of the four companies designated as the 1995 national Blue Chip Enterprises, the message meant more than increasing sales and adding employees. It meant growing personally as leaders so that they could shepherd their companies through crises that might do another business in.

Now five years old, the Blue Chip Enterprise Initiative is an awards and information-sharing program honoring small companies that have met extraordinary challenges and emerged stronger as a result. Sponsors of the program are Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*.

Earlier this year, 164 companies were selected as Blue Chip Enterprises representing their states, Puerto Rico, or the District of Columbia. (For a complete list, see "High Achievers," in the March *Nation's Business*.) Of those, 40 were chosen to go on to a national judging, from which the four top designees were named: HOSTS Corp., Vancouver, Wash.; New England Construction Co., Inc., Rumford, R.I.; Priority Manufacturing, Inc., Wood Dale, Ill.; and UroCor, Inc., Oklahoma City, Okla. They received their awards recently at ceremonies at the U.S. Chamber's annual meeting, in Washington, D.C.

The chiefs of these companies all found that to steer their businesses through catastrophe, they had to navigate a learning curve of one kind or another. Some just didn't know enough about running their companies to begin with; others faced new challenges that called for new insights and skills. In all, minds open enough to seek knowledge, take a calculated risk, or try a new strategy led to new successes for these companies and the promise of a solid future.

Here are the stories of this year's national Blue Chip Enterprises:

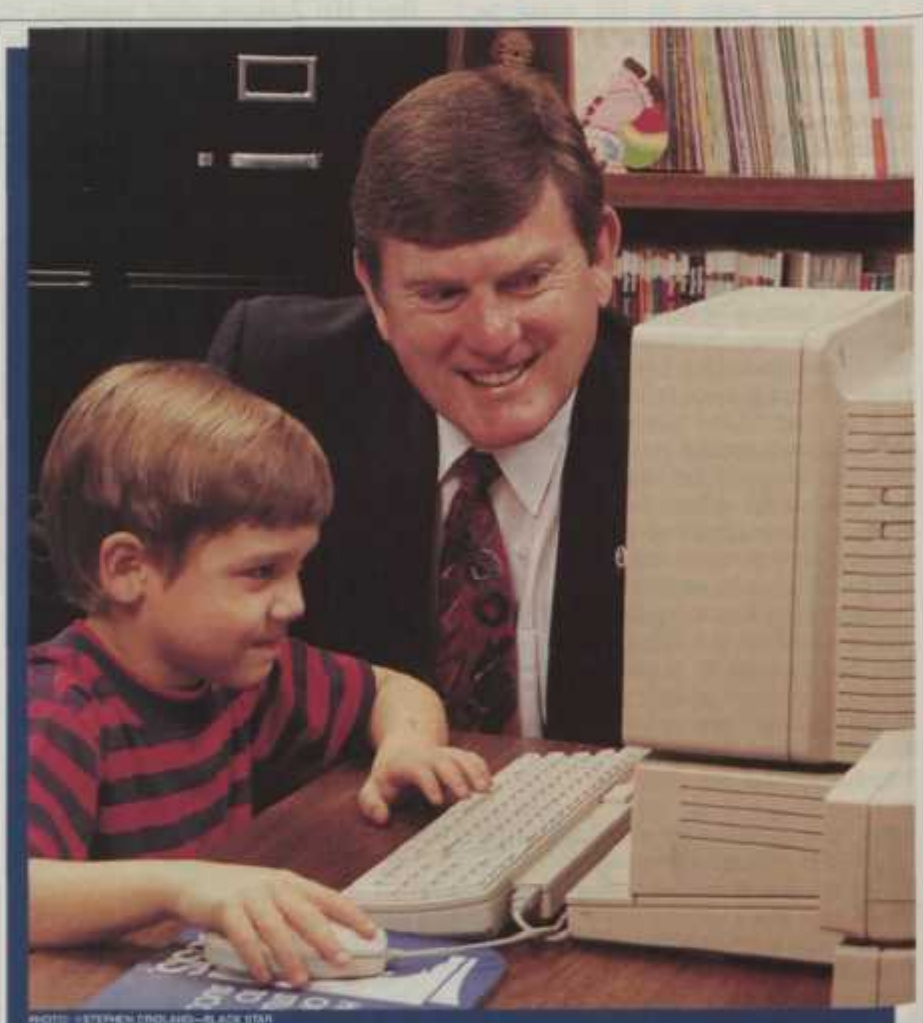


PHOTO: STEPHEN CROUCHER—BLACK STAR

Inspired by a caring teacher, William E. Gibbons founded HOSTS, a company that combines technology and volunteer mentors to help at-risk children learn to read.

Charting Children's Success

William E. Gibbons flunked 10th grade. And if it weren't for a teacher named Richard Dibble, Gibbons might not have become the chairman and CEO of HOSTS Corp., a company with 63 employees and $6.5 million in annual sales. In fact, if it weren't for a series of people who have played mentor roles of some kind to Gibbons, he and his company might not be where they are today.

And that's fitting, because HOSTS, which stands for Help One Student To Succeed, is a company that provides schools across the country with a unique system for teaching and mentoring at-risk children in reading and, more recently, math.

Back in rural Omak, Wash., Gibbons played football in high school, but he couldn't read. And after Gibbons failed his sophomore year, Dibble took the boy under his wing. "He told me I had potential, and he took the time to work with me and develop me," recalls Gibbons, who is now 50. Dibble, he says, was the hardest teacher he ever had "other than life itself." But Gibbons got one "A" and then another, and by the time he graduated, he had achieved a nearly 4.0 average in his core subjects.

Inspired by Dibble, Gibbons became a

teacher in a school in a low-income area in Yakima, where he found his sixth-grade students were reading at a second-grade level. "I didn't have the knowledge to help these children," he says. He got a master's degree in reading and education and became a teacher in Vancouver, Wash., where he launched HOSTS, first as a not-for-profit program funded by a local foundation.

But to realize his dream of disseminating HOSTS nationally, he was advised, he should become a for-profit corporation and fund his growth through profits.

Gibbons followed that advice, founding HOSTS Corp. in 1984 with $735,000 from local investors. HOSTS provides school systems with a database and software that enable a teacher to tailor a program to meet the specific needs of a child struggling to learn to read or do math. Just as important, it shows educators how to train volunteers—such as retirees, parents, or church members—to mentor the children one on one using the HOSTS structure. The mentors save the teachers' time and, says Gibbons, "create an environment that's warm and loving and caring."

Gibbons had been an award-winning teacher, but "I was a complete failure as an administrator of a business," he says. Losses in the first two years exceeded $1 million. The company set prices too low, and it lacked marketing savvy and the ability to hire and train an effective sales staff.

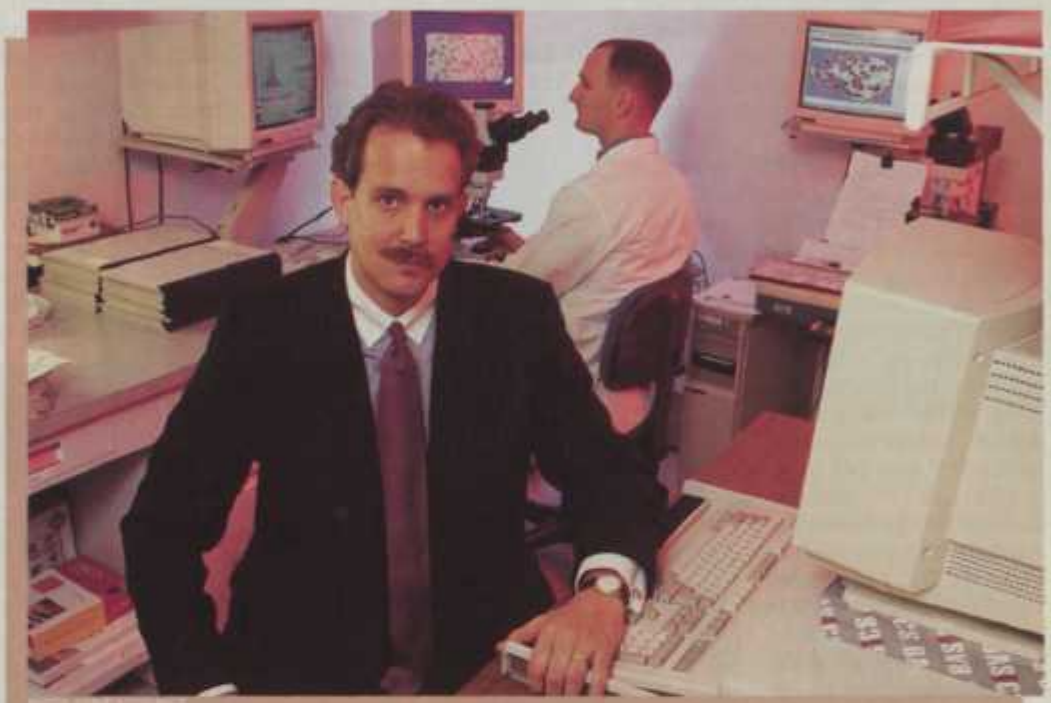
But Gibbons was a man with a vision, and people were attracted to that. In 1987 and 1988, he and his board were able to recruit three executives who became his new mentors: Sheila Tretter, a former teacher, who took charge of customer support and product development; Jerry Willbur, a corporate vice president with experience in human resources, training, and marketing; and Dan Hunt, a former aerospace-company senior manager, who became HOSTS's chief financial officer.

It was a tremendous risk for all three, but, as Willbur puts it, "this was an opportunity to really have a positive impact on the lives of children."

An additional $350,000 in financing was raised. Prices were upped to realistic levels—schools pay front-end costs of $26,900 plus an annual renewal fee of $5,400 for the reading program. HOSTS also launched a marketing program, emphasizing the theme "Breaking the Cycle of Student Failure." The company also updated its technology.

Today, HOSTS reaches 42,000 children in 700 schools, and an estimated 60,000 volunteers participate as mentors. It turned its first profit in 1989 and has been profitable every year since.

Inspired by his new mentors, Gibbons is quick to say that HOSTS is a business, not a ministry. But, of his officers, his employees, his board, and himself, he says, "You have to understand how badly we want to help children."





Recruited to save a company specializing in urological technology, William A. Hagstrom devised a new mission and strategy and gave the firm a new name: UroCor.

Seeing The Big Picture

To turn around a severely troubled company, William A. Hagstrom has had to make the tough transition from being an executive in a huge, multinational corporation to operating as an entrepreneur. And fortunately, he loves it. "It is absolutely the most enjoyable and rewarding experience I've ever had professionally," he says.

Hagstrom was the vice president of Baxter-Travenol's $1 billion Scientific Products Division—and was only 32 years old—when, in November 1989, he was recruited to become chief executive for UroCor, Inc., in Oklahoma City. Then an early-stage company called CytoDiagnostics, Inc., it had been started four years earlier to commercialize a technology for identifying bladder cancer.

But the company had difficulty creating a market for its technology and became stalled in trying to expand it into other applications. By the time Hagstrom arrived, there were three lawsuits pending against the firm from early investors.

Hagstrom's first task was a total reassessment of the company. Within 60 days, he came up with—and the board approved—a turnaround plan that called for adopting a new mission and business strategy, expanding the company's technological resources and services, hiring a new senior management team, and establishing a sales force to educate potential clients and help ensure client retention.

By late 1990, the company had made some progress on these objectives, and monthly revenues had risen to $100,000 to $120,000, or double the previous year's levels. But the lawsuits dragged on, and the company decided to file for financial reorganization under Chapter 11 of the bankruptcy law. The risks were great—the company could, for example, lose clients or some of its newly recruited key employees.

But the employees rallied to the cause. Their attitude, says Hagstrom, was, "If

this is the last step we need to take to put our past behind us, we know we can do it."

The reorganization was completed in four months, and in the years since, the company has been transformed from an early-stage, narrowly defined diagnostics company to an emerging-growth healthcare services company concentrating on urology.

The company offers urologists what Hagstrom calls "a full range of capabilities" in the detection and treatment of certain tumors and other complex diseases. The name was changed to UroCor ("Cor" for core) late last year, Hagstrom says, to "reflect our commitment to our market."

When Hagstrom joined the company, he says, its sales staff numbered "zero," and it had fewer than 100 clients. Today, it has a sales force of 28 and more than 1,000 clients. Strong relationships with more than a dozen research centers enable it to spot promising technology early with an eye to turning it to commercial use later. In May, UroCor will become the anchor tenant in a new biomedical research park.

Although sales reached $14.5 million last year, the company doesn't expect to show its first profit until the first quarter of this year. On the advice of investment bankers, it has concentrated instead on getting a "substantial infrastructure" in place, says Hagstrom.

The company clearly has won the confidence of the financial community. It has raised $12 million in venture capital—$5 million of it last year—and has received a $1.5 million working-capital line of credit.

One key to UroCor's success was recruiting to its board four outside independent members who could, Hagstrom says, "provide substantial industry experience as well as contacts."

Reflecting on his past, Hagstrom says that when you're in a large corporation, you tend to be very specialized. You don't have enough appreciation for cash because "it's just always there." You also don't have sufficient understanding of all the other aspects of running a business that you have to have when you're heading up an early-stage company.

As he puts it, "It's a different world."

Applying A Personal Style

When Patricia A. Biedar's husband, Bruce, died of a heart attack nine years ago at the age of 46, he left her a struggling six-year-old precision sheet metal fabricating company, Priority Manufacturing, Inc.

Biedar was an employee of the company. "I did payroll, I did accounts payable and accounts receivable," she says. But it was clearly "his" company, she recalls, and she didn't have her husband's knowledge of manufacturing. And, with her three children almost grown up, she had her own dream of becoming a travel agent.

PMI had some serious problems—one of its three major customers had gone under, she says, leaving it with "a huge amount of receivables that were uncollectible." However, Biedar quickly decided to keep the business and make it grow. "It would offer me a better livelihood," she reasoned. Just out of college, her daughter Patte gave up a new job as a pastry chef to join her. Her two other children, now pursuing careers outside the company, were still in school.

The day after Bruce's funeral, the company went forward with a planned move from its Schaumburg, Ill., location to a larger facility in Wood Dale.

Just 18 months later, Biedar knew she was in real trouble. The list of problems seemed endless: a slowdown in the economy, faltering sales, deep debt, poor controls, and soaring overhead in the new facility. "Profit was past tense," says Biedar.

During that first year and a half, Biedar and her daughter often worked side by side with employees in the shop to learn what they could about manufacturing. They took evening classes on everything from labor law to reading blueprints. Now they stepped up their efforts to learn. Biedar formed an advisory board, made up of four successful chief executives of other manufacturing companies. In the evenings, the board put mother and daughter through a series of tough exercises: drawing up job descriptions so they would know what kind of team they needed; developing a marketing plan that would enable PMI to diversify its customer base; and writing a business plan.

Patte also enrolled at the University of Illinois in an intensive, two-year business program for small-business owners.

After about five years, Pat Biedar finally saw signs that they had turned the company





Precision sheet metal fabricator Patricia A. Biedar, right, says she couldn't have turned Priority Manufacturing around without her daughter Patte, vice president of operations.

around: improved efficiency rates, better cash flow, increased sales, and a management team that was working together.

"We had 22 employees when I took on the business; we now have 48," she says. Sales have doubled to $4 million and are expected to exceed $5 million this year. The bulk of PMI's business came from three major customers in 1986; now it has a client base of more than 100, including General Dynamics, Sara Lee, and Motorola.

In her quest to make Priority a success, Biedar, 53, has learned some critical lessons. She found, for example, that she had to follow her own style. Because her husband was so knowledgeable about manufacturing, he could run what she calls a "one-man show." But she was more successful as a leader when she nurtured teamwork and communicated more openly.

She also came to the conclusion that all entrepreneurs go through trial before they succeed. "You have to learn from your mistakes," says Biedar. "Those mistakes can be your path to success."





When the going got tough, David A. Sluter of New England Construction Co. enrolled at Harvard. Its management program for small-business owners helped him beat the recession.

Expanding A Vision

The first job David A. Sluter's construction company did ended up in litigation. "We did everything wrong you could possibly do, from the work that we did to how I handled the relationship. It was awful," says Sluter, president of New England Construction Co., Inc., in Rumford, R.I.

But Sluter learned more from that job—about controlling quality, about the need to see the customer's point of view, about the need to work as a team with your customer—than he did from jobs that went well.

And it was that openness to learning and the willingness to take responsibility for problems and make necessary changes that helped him get his company through the recession.

The downturn began to take its toll on New England Construction in 1991, when it was six years old. Sales dropped from $4.77 million in 1990 to $982,000 in 1992, and Sluter had to lay off three of his 12 employees. "We had times when we thought that unless we get another job, how much longer can we go on here?" Sluter recalls.

But a new attitude, accompanied by an ambitious education program and a new strategy, put New England Construction back on its feet. At the company Christmas party in 1992, Sluter said, "We're going to do $4 million next year. We're going to be profitable ... There's more work than we can ever possibly do out there. All we've got to do is go get it."

Sluter says the company recognized that education was the key to long-term success. Trained as a civil engineer, he took steps to shore up his business acumen. He enrolled in Harvard University's management program for small-business owners, going to school three weeks a year for three years.

He sought out other good businesses, joining a network of contractors who offer each other information, ideas, and advice. He sent staff members to courses sponsored by his trade association, and he made it a point to get his customers to tell him about their businesses. "When you see, over and over again, how successful people do things, it rubs off on you," he says.

Initially, New England Construction was a general contractor in a narrow market segment—pre-engineered steel buildings. Sluter recruited new key employees who could help the company compete in other construction markets, such as rehabilitation projects and masonry and wood structures. He defined his "ideal" customers—good business people who have been through construction before and who are honest, have integrity, and treat their people well. If they don't fit that profile, he says, there are chances for problems both in the construction process and in the relationship.

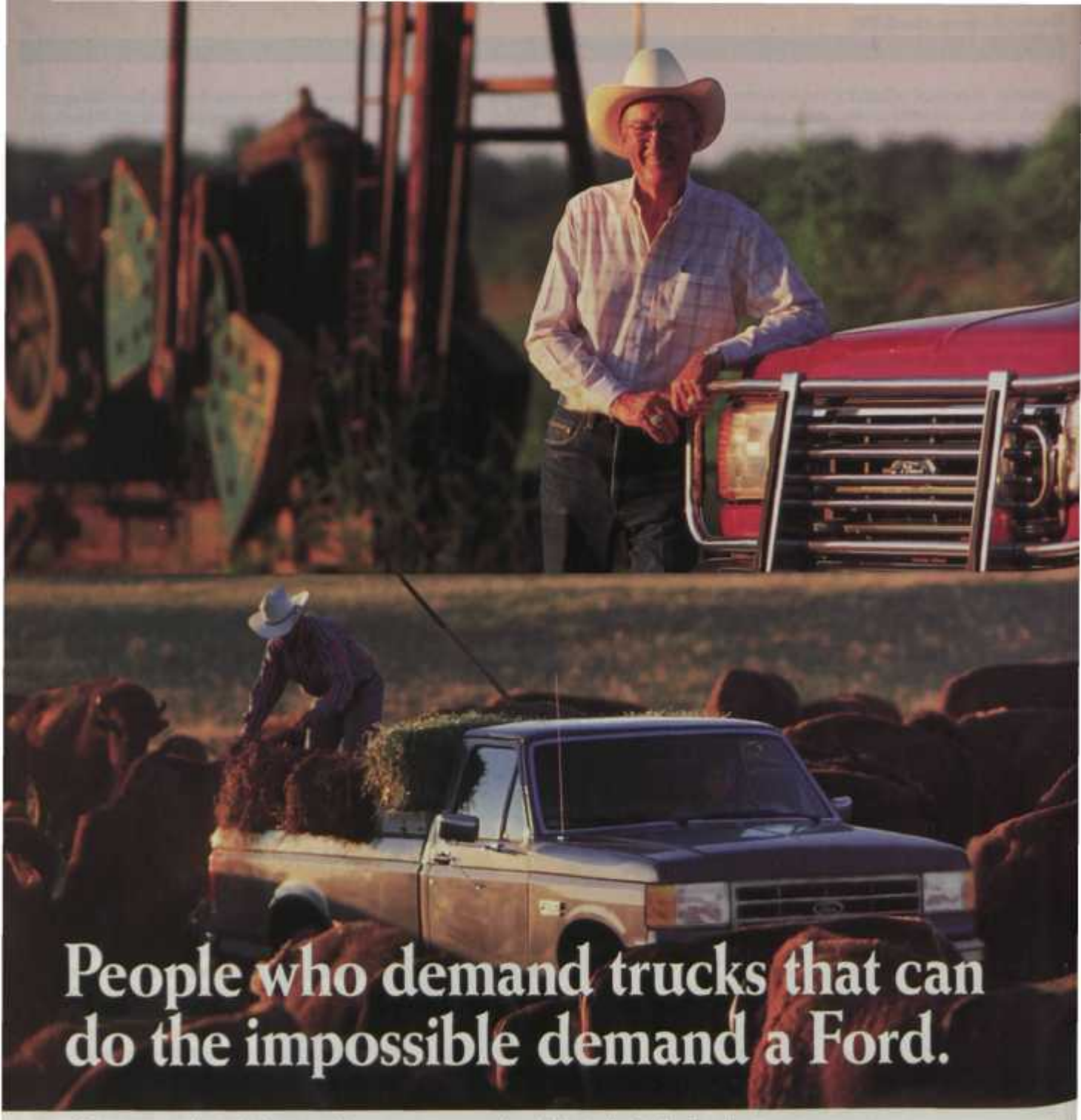
New England instituted a total quality management approach to its projects because it was clear that that was what its target customers wanted. And it launched an aggressive campaign to reach them through direct mail and sales calls.

Sluter, 46, expects sales to reach $6 million this year, up from $5.1 million last year. The number of employees has climbed to 16, and New England Construction boasts such clients as U-Haul, the Salvation Army, and Rollins Leasing.

The company's commitment to learning wasn't cheap. Sluter estimates that education and training programs have cost it $100,000 over the past five years—including $30,000 for his course at Harvard. "Quite frankly, that's the biggest bargain I ever got," he says.

If you ask him, Sluter readily agrees that the recession did New England Construction a favor because he is a better manager now and the company is far stronger than it was before.

"It's been my experience that you learn more from negative situations than you do from positive," he says. "Whenever you lose, you win—tremendously." NB



People who demand trucks that can do the impossible demand a Ford.

Commercial truck buyers buy more Ford trucks than any other kind. That's because they know they're getting a tough, durable, dependable truck with a solid work record. They can even get the biggest, most powerful pickup turbo diesel in existence. Available in both the Ford F-Series and the E-350.



POWER STROKE™ Turbo Diesel. 20% more horsepower than Dodge Cummins Diesel.

So just call 1-800-258-FORD for a free informative brochure from Ford, the commercial truck specialist. And read about the trucks that are built to be there for you. Ford trucks.



FORD WORKFORCE





BUILT FORD TOUGH

Ford

REGULATION

Unfunded And Unloved

Congress is pulling back from saddling business with the costs of social programs—but not all the way.

By Michael Barrier

Since January, Congress has been moving steadily toward restricting new unfunded mandates—federal directives that state and local governments, and private companies, must carry out at their own expense. Both houses have passed legislation limiting such mandates, and in March a conference committee was smoothing out the differences between the two bills.

During the 1980s, Congress turned increasingly to unfunded mandates as a way to legislate the means to achieve its goals—environmental programs in particular—for which no federal dollars were available. Revolt against such mandates began among governors and mayors, and it quickly spread to business.

The bills passed by the House and the Senate bar Congress from considering legislation creating most new unfunded mandates unless the Congressional Budget Office (CBO) has estimated the costs that those mandates would impose. In addition, both bills include language, drafted by the U.S. Chamber of Commerce, to require a CBO estimate when a significant mandate is imposed on the private sector.

Behind the legislation is the idea that Congress may recoil from imposing at least some of its unfunded mandates if the costs, and not just the benefits, are laid out in advance. Even though the legislation applies only to new mandates—and exempts some mandates altogether, such as those intended to enforce the civil rights of the disabled—it has been hailed by Bruce Josten, the U.S. Chamber's senior vice president for membership policy, as "a major step toward bringing common sense and accountability to the legislative actions of Congress affecting the private sector."

The reasons behind this year's legislation—and its limitations—become clear when you consider the Manhattan Bagel franchise that Patricia Wangsness and her husband, David, opened in Vienna, Va., last November. Pat runs the restaurant—working, she says with a laugh, "80 or 90 hours a week"—while her husband continues to hold down a full-time job elsewhere.

The space they chose had been occupied previously by a mailing-services company, and so it had to be extensively remodeled to become a restaurant, to the tune of about $70,000 in construction expenditures. The county government required that 20 percent of that total be devoted to meeting the requirements of the federal Americans with Disabilities Act (ADA).

In fact, the Wangsnesses estimate that they wound up spending around $20,000, or about 30 percent of the total, on ADA-related construction requirements. That figure embraces custom-made cabinets that are low enough, and recessed enough, and two restrooms large enough, to accommodate wheelchairs.

The Wangsnesses would have spent money on cabinets and restrooms in any event, but meeting the ADA's requirements raised the cost significantly. For example, they had to spend an additional $2,000 to alter previously approved plans and make the restroom doors open in instead of out. That change created a problem: When the doors opened in, there was not room enough for a wheelchair in front of the sink. Thus, the restrooms had to be enlarged, by moving a wall 18 inches farther into the store.

When that wall was moved, the Wangsnesses had to give up revenue-generating space: With smaller restrooms, there would have been room for another row of tables—and thus room for would-be customers who cannot find a seat on busy weekend mornings. There is no way to calculate how much business has been lost, the proprietors say.

Pat Wangsness sympathizes with the idea that the disabled should have greater access to services of all kinds, but she is troubled by the costs that providing such access can entail. "It's very hard for a small business to dig out from under that kind of expense," she says.

But has the cost been worth it, as measured by greater access for disabled customers? In the first three months her store was open, Pat Wangsness says, she served 15,000 customers—and only one of them was in a wheelchair.

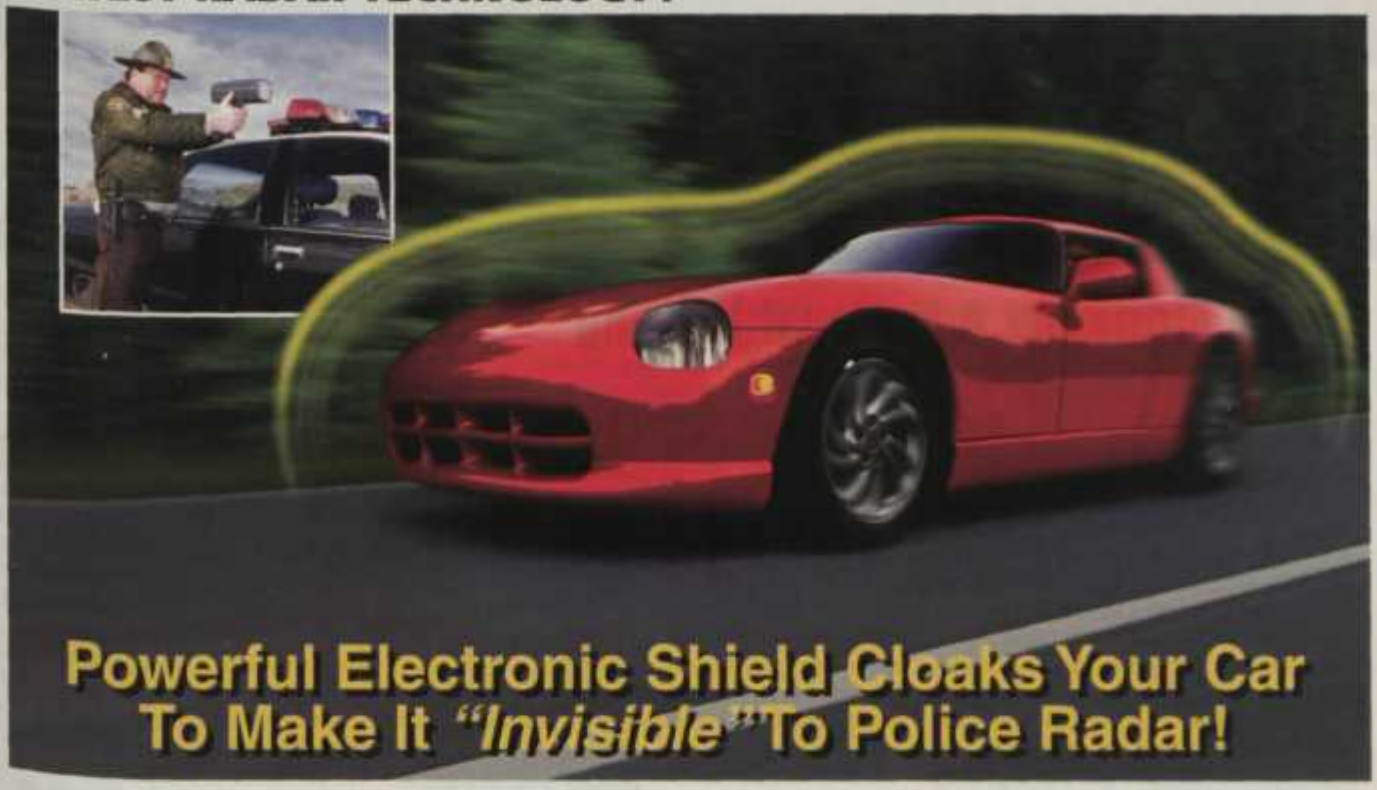
At the moment, there is no visible groundswell of congressional interest in re-examining mandates—like the ADA—that are off limits under the proposed legislation. But as the Wangsnesses' experience indicates, costs do not go away when lawmakers disregard them. NB



PHOTO: T. MICHAEL KOZA

The cost of complying *with federal mandates on access for the disabled came to $20,000 when Patricia Wangsness and her husband remodeled their Vienna, Va., store to open a bagel shop.*

MIRAGE™ 7000
NEWEST RADAR TECHNOLOGY:



Powerful Electronic Shield Cloaks Your Car To Make It *"Invisible"* To Police Radar!

SPACE AGE ELECTRONIC RADAR SCRAMBLER PROTECTS YOU FROM POLICE RADAR UP TO 15 SECONDS SOONER THAN THE MOST EXPENSIVE RADAR DETECTORS!



USE THIS DEVICE TO PREVENT POLICE RADAR FROM "LOCKING - ON" TO YOUR CAR. AND, IT'S 100% LEGAL!

The **MIRAGE 7000** advanced circuitry intercepts all Police Radar, including pulsed radar and the newest *"instant-on"* guns used in *"speed traps."* It *zaps out* Police Radar readings with its powerful signals. And it operates within FCC guidelines, making it 100% legal.

OUR GUARANTEE !

Try the **MIRAGE 7000** in your car for thirty days. It will defeat all types of Police Radar. If you are not absolutely satisfied with its unique capabilities, and the increased protection that you receive from it, return it for a full refund.

Drivers are urged to abide by posted speed limits and local laws. The **MIRAGE 7000** is recommended for protection against improperly calibrated radar guns and unscrupulous law enforcement only. Both occur in rare instances.

Copyright 1995 by Advanced Radar Technologies. All rights reserved. U.S. and international patents pending.

Introducing the **MIRAGE 7000**, a State-Of-The-Art device that uses Electronic *"Cloaking Technology"* similar to technology used by the U.S. Military in the Gulf War that made our fighter planes *"invisible."* It is easy to install and it will protect you if you unwittingly exceed posted speed limits.

The unique design of the **MIRAGE 7000** enables it to *outperform previous scrambler technology.* In controlled tests, the **MIRAGE 7000** proved an average of **400% more powerful than older models** and **900% better against Ka radar** that requires the fastest response time. The **MIRAGE 7000** is built with *24 Carat Gold Plated component circuitry* to provide you with the most sensitive *"radar receive signal"* obtainable.

Simply plug the **MIRAGE 7000** and your radar detector into the *"Duo-Connector"™ (included)* and insert the connector into your car's cigarette lighter. Its that easy. The **MIRAGE 7000** will go to work for you instantly. It will *jam Police Radar* and give you *up to 15 crucial seconds* of additional protection, ample time to slow down.

MIRAGE 7000 Complete with windshield mounting bracket, power cords, *"Duo-Connector"™* and a 30-month extended factory warranty. ***Only* — $249** ($9 S&H)

ORDER TOLL-FREE

1-800-688-1200

VISA

MasterCard

Please mention Special Offer # X501

Or send a check or money order to —

Advanced Radar Technologies

3355 Lenox Road, Suite 750
Special Offer # X501
Atlanta, GA 30326 U.S.A.

Family Business

Preparing for the White House Conference on Small Business; lifelong learning as a family.

OBSERVATIONS

Family Firms Get A National Hearing

By Sharon Nelton



PHOTO: T. MICHAEL KEZA

The concerns of family-business owners are among the issues being brought to the attention of the delegates to the Third White House Conference on Small Business, June 11-15 in Washington. The conference provides small-business owners with an opportunity to influence public policy that affects their companies.

As part of the preparation for the conference, Fred A. Tarpley Jr., chief economist of the U.S. Small Business Administration, recently brought five family-business experts to Washington to hear their views on problems and opportunities that family firms will encounter in the year 2005 and beyond and how government programs and policies should be changed to support family business.

The panel consisted of three academics and two business people—Drew S. Mendoza of Loyola University Chicago; Randel S. Carlock of the University of St. Thomas, in Minneapolis; Joseph H. Astrachan, of Kennesaw State College, in Marietta, Ga.; William H. Overton, president of Electric Motor and Repair Co., a family business in Richmond, Va.; and Bonnie Mills of Massachusetts Mutual Life Insurance Co., who was the moderator.

The panelists agreed that family businesses—which are already said to be responsible for at least half the gross domestic product—will increase in importance over the next decade. For example, they are well-positioned to succeed in the global marketplace because they take a long-term perspective and because owners of family firms elsewhere in the world frequently prefer to do business with other family companies, the panelists said.

As one illustration of just how critical family businesses are, Overton pointed out that his trade group, the Electrical Apparatus Service Association, numbers just 2,400 small, mostly family-owned firms in the United States, but the average annual sales per employee for their 40,000 workers is $100,000. "So our trade association is responsible for $4 billion in this economy," he said.

What's needed, said the panelists, are policies, programs, and legislative changes that will enable family firms to be more competitive and that will support their successful transition from generation to generation. At the top of their "wish list" was reform of estate taxes, which deprive businesses of assets needed to grow and sometimes force the sale or liquidation of a company. "That's the No. 1 hurdle," said Astrachan.

Reduction of regulations, rules, and paperwork was also high on the wish list. The panelists also called for government funding to support family-business education and research and programs to help nurture the formation and growth of family-owned business in the nation's inner cities. Ways to help smaller companies do business in the international market also need to be developed, the experts said.

A summary of the panelists' observations and recommendations will be included, along with those of 12 other panels of experts from fields ranging from venture capital to youth entrepreneurship, in a report to be submitted to the delegates before the White House conference.

Will family-business owners ultimately get the relief and support they need as a result of recommendations put forth by the conference? That remains to be seen. But for now, it's good to know that family business, so often ignored or misunderstood, is getting a hearing.

PLANNING

Put On Your Student Hat

By Craig E. Aronoff and John L. Ward

The most successful families in business have a keen respect for their challenges and risks as family businesses. They are well aware of family-business mortality statistics and even more aware of the potential for destructive family conflicts.

But they're not intimidated by those risks. Instead, they're stimulated by the challenges and strongly motivated to beat the odds. A lumber distributor we know put it well: "For a long time, we've been risk takers. That's a key to our business success. That's a key to life. But it would be naive and foolhardy to take significant risks without doing our homework."

Many successful owners of family firms do their homework by becoming active students of family business. They seek opportunities to learn what makes for success in family-owned enterprises, and they come to enjoy the subject. There are many different good approaches:

University Programs

More than 50 U.S. colleges and universities have begun programs for family members of family firms. The seminars illustrate that the issues for family firms are common and normal, and they provide opportunities for family firms to learn from one another as well as from experts.

More valuable than the content of these



PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. They are principals in the Family Business Consulting Group, Inc.

programs, we believe, is the fact that they bring family members together a few times each year to reflect on where they are and what they want to accomplish. Day-to-day demands often crowd out opportunities to plan. These programs provide some good impetus to keep the planning going. (For a free list of college and university family-business education programs, call Business Owner Resources at 1-800-551-0633, Ext. 120.)

Industry Associations

Numerous industry groups provide excellent family-business learning opportunities for their members. The National Hardware Association, the American Warehouse Association, the International Sanitation Supplies Association, and many other organizations provide workshops and libraries. Some also offer peer groups and consultants or provide a service enabling one family to mentor another.

If your industry group isn't doing much for family businesses, it's a great opportunity for you to provide leadership in getting such programs started and in making sure the standards are high.

Personal Visits

One of our favorite ideas is for a particular family to schedule its own visits to other family businesses. It's best to go in family groups, possibly five or six members at a time if yours is a large family. But be sure to include everyone in the family over time.

See the business, but also ask to talk in-depth with family members. We've never known anyone to be turned down. Ask about such things as what policies govern the family and the business and how development of family members in the business is managed.

After each visit, meet as a family to discuss what you've learned. One business owner insists that every family member come back from such a visit with at least one idea to share with the family for improving their family or business systems.

Mentoring

Your professional advisers have seen scores of family businesses. They have made lots of observations and learned many lessons, yet they're often reluctant to offer them—unless you ask. Some families meet with their team of advisers once every year or two and ask them for their opinions and suggestions about family-business issues.

Family Meetings

Many families make "family-business education" a regular part of family meetings or family retreats. There are many possibilities:

- Read a book or a packet of articles as a family assignment, and discuss the meanings and lessons. Two good books for this purpose are *Father, Son & Co.*, Thomas J. Watson Jr.'s memoirs of life at IBM, and *Iphigene: My Life And The New York Times*, by Susan Dryfoos.
- Invite members of another family business to talk about their experiences. (And, of course, offer to reciprocate.)
- Invite a family-business consultant or an educator to conduct a workshop on a subject of interest.
- Work together as a family on a project that provides relevant learning and helps build family teamwork skills. Ask a family member to make a presentation about the project at a family meeting. (See the box for project suggestions.)

Confirming Values

The spirit of all these ideas is that the family members humbly respect the importance of what they are doing and believe learning is a part of responsible ownership.

Such values set a great example for future generations. As a young person in a very large family told us, "We've been involved in family education for a while now. The activities remind us how much fun we can have as a family and even provide us younger ones a good opportunity to take responsibility for the meetings so that we can practice some leadership and organizational skills." NB

Workshops And Exercises

Good topics for workshops that can be a part of family meetings or retreats include:

- Communication skills
- Listening skills
- Conflict-resolution techniques
- Estate-planning principles
- How to read financial statements
- Parenting children of privilege
- Total quality management
- How families work
- Basics of competitive strategy



ILLUSTRATION, TROY THOMAS

Some projects that offer learning experiences for the whole family are:

- Participating in a hands-on philanthropic effort
- Working together on a civic project
- Sponsoring and conducting a celebration at the company
- Attending an adventure team-building camp
- Developing an investment club
- Undertaking a family-history project
- Creating a family creed or mission statement

MARK YOUR CALENDAR

April 11, Philadelphia

"A Third Generation Story: Cousins Can Make It Work" is a seminar featuring six cousins who own and manage a family firm. Call Henry Landes of the Delaware Valley Family Business Center at 1-800-296-3832.

April 25-26, Sioux Falls, S.D.

"Building Stronger Families and Businesses" is the theme of the Prairie Family Business Conference sponsored by the Family Business Initiative at the University of South Dakota. Call (605) 677-5006.

April 26, Washington, D.C.

"Perpetuating the Family Business: The Ultimate Management Challenge," a day-long workshop, features *Nation's Business* columnist John L. Ward. Call the George Washington University Center for Family Enterprise at (202) 994-9150.

May 3-5, Chicago

"Working with Family Businesses" is an intensive training session for attorneys, accountants, insurance executives, financial planners, investment bankers, and other professionals with family-business clients. Contact the Aspen Family Business Group at 1-800-835-5883.

May 7-9, White Plains, N.Y.

Four seminars will be sponsored by the Family Business Learning Institute of Metropolitan New York: "Side by Side: Loving and Working Together," a session for couples May 7-8; "Thriving in the Business—Surviving with the Family: The Dilemma of the Non-family Executive," on May 8; "Loving Sibs and Struggling Sibs," May 8-9; and "Enhancing Your Relationship to Money and Wealth," May 9. Call (201) 461-7356.

May 18, Goshen, Ind.

"Challenging Assumptions: Money, Love, Power, Death" is a seminar featuring Bonnie M. Brown, head of the Baylor University Institute for Family Business. Contact the Goshen College Family Business Program at (219) 535-7135.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

FINANCE

Banking By Keystroke

Entrepreneurs increasingly are writing checks and moving money at home.

By Joan C. Szabo

For home-based business owner Richard Manigault, banking via computer is a convenience that he has now come to depend on to run his company. Using software provided by his bank, he can transfer money from one account to another, call up recent checking-account transactions, balance his checking account, and pay bills.

A sole proprietor in Queens, N.Y., Manigault operates RAM Computer Services, which sells computers and develops software packages for business clients. "Banking from home saves time because I don't have to stand in line at the bank," he says. "It also helps me run my business more efficiently because I can keep better track of my finances."

After a slow start in the 1980s, home banking has begun to take off since banks and computer-software companies embarked on a major drive to make it more accessible to individuals and home-based business owners, says Mark Burns, vice president of Chase Manhattan Bank's On-Line Services Division.

Home banking has a few drawbacks, of course. It's not possible to make deposits or obtain cash by telephone or computer, and not all companies accept electronic bill payments.

Nonetheless, electronic banking is expanding, and home-banking experts say it has tremendous growth potential. While banking by phone has a larger following, home banking by computer is growing. Many of the country's leading banks, including Chase Manhattan Bank, First National Bank of Chicago, Michigan National Bank, and Citibank are making major efforts to market home banking via computer.

Citibank is marketing Direct Access Banking, a program that lets the customer do banking by computer or by screen phone—a device that's rented from the bank, works like a Touch-Tone phone, and displays transactions on a small screen.

Although a recent survey by the PSI research firm of Tampa, Fla., found that only about 1 percent of all households use personal computers to pay bills, a separate survey, by market researcher Link Resources Corp. of New York, concluded that half of all U.S. households will have personal computers by 1998, presumably making them prospects for home banking.

The more prevalent way to perform certain banking tasks from home is by telephone. About 52 percent of all households use the phone to check bank-account balances, 27 percent transfer funds by phone, and between 5 and 10 percent use the telephone to pay bills, according to the survey by PSI.



PHOTO: SONNETA OTRHOWSKI

Doing his banking *from his home office helps him run his computer business, says Richard Manigault, "because I can keep better track of my finances."*

With a Touch-Tone phone and a password, an individual not only can get account balances and transfer funds but also can pay bills by keying in the amount and the account numbers of the creditors. A record of each transaction appears on the person's monthly bank statement.

Under just one such electronic bill-paying arrangement, for example, 18 banks nationwide offer customers a service called MasterBanking, a program from MasterCard International. The customer moves funds by using a Touch-Tone phone or a personal computer.

Home-business owner Manigault uses the home-banking services offered by Chase Manhattan and Microsoft. The program, PC Banking With Microsoft Money, provides 24-hour access to checking, savings, and credit accounts. Small firms pay $12.50 a month for the service.

Microsoft also hopes to market home banking to the 6 million users of Quicken personal-finance software; Microsoft is seeking to buy Quicken's publisher, Intuit.

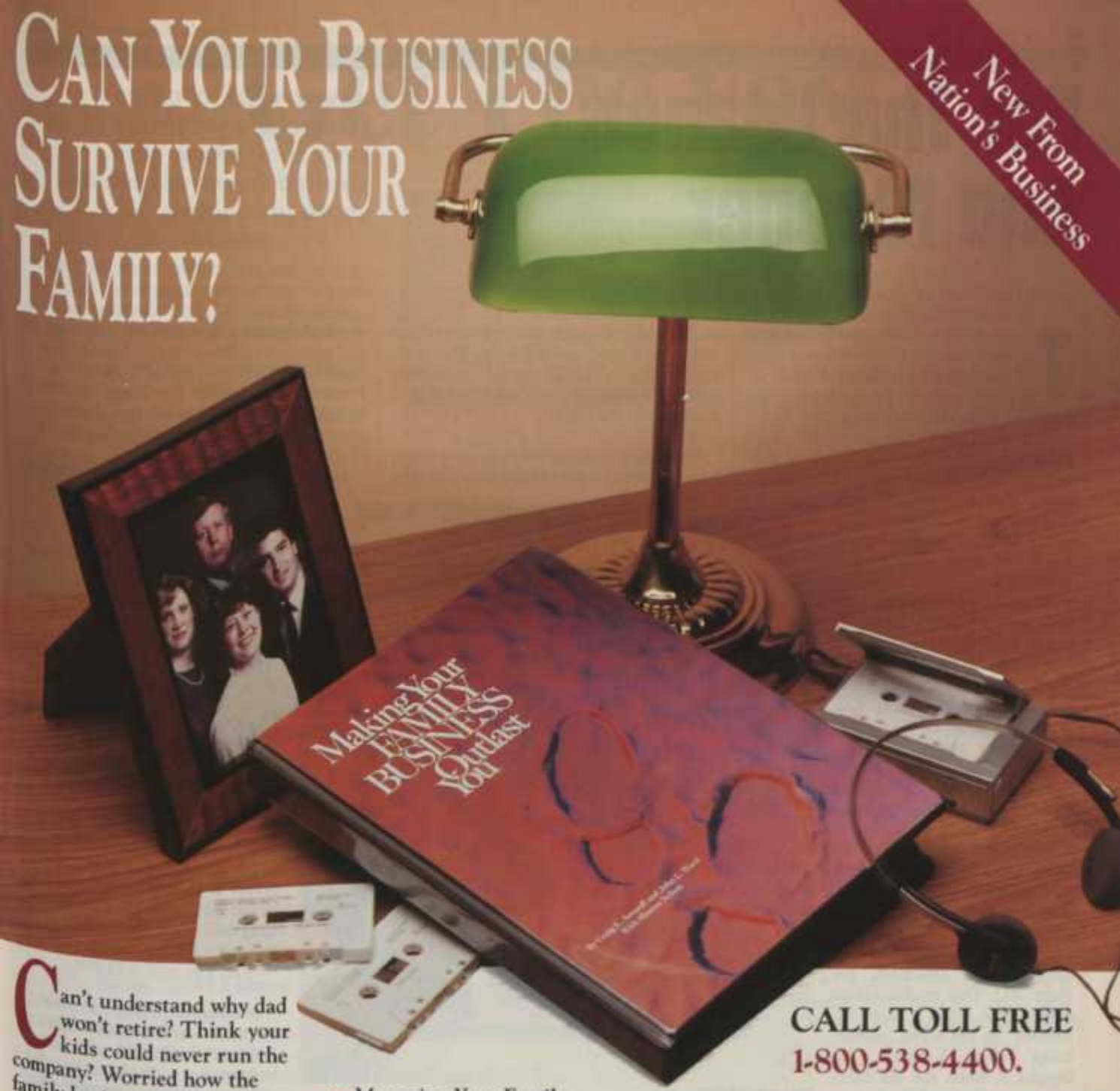
Another major player in the home-banking field is Block Financial Software, publisher of two leading financial-software products, Managing Your Money, and TaxCut. Block Financial, in Fairfield, Conn., is a subsidiary of H&R Block. It has prepared customized home-banking software for Citibank, NationsBank, and Visa Interactive, a subsidiary of the Visa International credit-card company. Each bank in turn offers the software to its customers, with the bank's name on the product.

Home banking will continue to expand, experts say, as customers come to expect more convenience and time-saving services from financial institutions. Increasingly, home-based business owners will want to be able to access services when and where they need them and will want to keep closer watch on their companies' finances.

Says business owner Manigault: "The new home-banking services now being marketed help satisfy the needs of home-based business owners, making banking from home not just convenient but a more efficient way to run a company."

CAN YOUR BUSINESS SURVIVE YOUR FAMILY?

New From Nation's Business



Can't understand why dad won't retire? Think your kids could never run the company? Worried how the family business will survive?

"Making Your Family Business Outlast You" can help ensure that your business is passed on successfully to the next generation.

Developed by three of the country's leading family business authorities, the six-cassette audio program and "how-to" workbook give you insights and techniques on:

- Communicating Your Family Business Vision
- Understanding Your Family and Managing Family Conflicts
- Managing Your Family Business
- Raising Your Children For Leadership
- Preparing and Implementing A Succession Plan
- Finding and Using Advisers and Directors

Half of all family businesses risk failure because they don't have a succession plan—don't let yours become one of them. Order "Making Your Family Business Outlast You" today!

Nation's Business

CALL TOLL FREE
1-800-538-4400.

YES, please send me the "Making Your Family Business Outlast You" audio cassette program kit! If I'm not completely satisfied, I can return within 15 days for a full refund.

☐ Check enclosed for $95.00
Please enclose $4.00 for shipping and handling.

☐ Please bill my credit card: ☐ AE ☐ MC ☐ VISA

Card Number _____ Exp. _____

Signature _____ Title _____

Name _____ Company _____

Address _____

City _____ State _____ Zip _____

UPS Shipments Only—No P.O. Boxes. CA and D.C. residents add sales tax.

Nation's Business, Circulation Department,
1615 H Street, NW., Washington, D.C. 20062 NB0495

Circle No. 44 on Reader Service Card

OFFICE TECHNOLOGY SPECIAL REPORT

For The Leaner And Meaner

A new wave of office technology promises to help companies with limited resources become more productive.

By Jon Pepper

Trying to wring more out of less seems to be a national obsession these days, as businesses of all sizes seek increased productivity and lower costs. Helping them make their operations leaner and more efficient are affordable office machines that reflect the latest technology—offering more power, sophistication, and computer connectivity than ever. For small businesses, they are cost-effective weapons in the struggle to compete effectively.

"I don't have an administrative assistant, so I just can't waste any time," says direct-marketing consultant Mark Kuipers of MK Direct Marketing, in Los Altos, Calif. Kuipers, a sole proprietor, says his recently purchased office equipment has allowed him to devote more time to lucrative creative work and less to mundane office tasks.

The centerpiece of Kuipers' office machines is a Hewlett-Packard OfficeJet, a single device that functions as a laser-quality printer, a fax machine, and a low-volume copier. (For more on the OfficeJet, see Page 49.) This multifunction device "has made a huge difference" in his office productivity, says Kuipers. He bought it when his old thermal-paper fax machine died.

"I need to spend my time on the work that gives value to my clients and brings in revenue, not administrative work, so I'm trying to be as automated as possible," Kuipers says.

The urge to be automated has most analysts expecting the small- and midsize-office markets to be strong areas of sales growth for office equipment in the coming year. Particularly strong segments should be mobile office equipment such as notebook PCs and cellular phones, computers with software for telephone answering and other functions, copiers, and color printers. Here is a look at some of those products.



PHOTO: GLINDA SUE SCOTT

Direct marketer *Mark Kuipers' office machines let him "spend my time on the work that gives value to my clients."*

Office Power

Today's offices require more than a fax machine, a phone, and a copier. Current business prerequisites also include a robust computer system and software. The products below can handle myriad tasks, from creating a business proposal to sending it anywhere in the world:

Compaq Presario 900 (Compaq Computer Corp., 1-800-345-1518): Compaq was instrumental in popularizing office systems featuring combinations of hardware components and software that enable users to undertake productive tasks immediately. One such line of systems, the Presario 900 series, is built around the powerful 80486 microprocessor.

These Presarios include a send/receive fax modem, a speaker phone, an answering machine with up to 10 voice-mail boxes, and a multimedia system featuring a CD-ROM (compact-disk, read-only memory) drive and a stereo sound card. Plus, the Presarios come with a wide array of useful software, including the compact-disk version of Works 3.0 for Windows, Microsoft Corp.'s integrated word-processing, spreadsheet, database, and communications package. Housed in a case with ample expansion room, the Presario 900s retail for about $2,200, including a monitor. Prices vary depending on features selected.

Gateway P5-100XL (Gateway 2000, 1-800-846-2063): Few systems in its price class that we've tested can match Gateway's P5-100XL for raw processing power. This system, featuring Intel Corp.'s fast 100Mhz (megahertz) Pentium processor, has 16MB (megabytes) of RAM (random-access memory), a massive 1GB (gigabyte, roughly the equivalent of 500,000 text pages) hard drive, Gateway's 17-inch monitor with Sony Corp.'s Trinitron picture tube, and plenty of business software.

The system's outstanding multimedia features include a quadruple-speed CD-ROM drive, a high-quality (16-bit) sound card, and Altec Lansing Corp.'s superb ACES-32 speaker system with subwoofer. The cost is $4,299.

Microsoft Office Professional 4.3 (Microsoft Corp., 1-800-426-9400): If you are looking for a single suite of software to meet virtually all of your routine office needs, strongly consider Microsoft's Office Professional 4.3 for Windows. This "business in a box" includes five widely acclaimed programs, Word for word processing, Excel for spreadsheets, PowerPoint for presentations and graphics, Access for databases, and Mail for electronic messaging.

All the programs are tightly integrated. As a result, changes in data made in one program are reflected in the others. The retail price is about $539.

PerfectOffice 3.0 (Novell Applications Group, 1-800-451-5151): Another superb business software suite is Novell's PerfectOffice 3.0 for Windows. The Standard Edition of this powerful, flexible product includes six excellent applications: WordPerfect for word processing,

Get The Fax

Pick up your phone.

Dial toll-free 800-597-7363.

Punch in the three-digit code for the advertiser information you select.

Enter your fax number.

Almost before you have time to hang up, your fax machine will be receiving the data you requested.

It's that simple and quick.

Nation's Business is your small-business adviser.

24 hours a day, seven days a week.



890 • MassMutual

Practical, authoritative booklet on family business succession planning basics...with insights on the financial and personal decisions that can help keep your family business where it belongs — in the family. Call today.

863 • Protect Your Personal Belongings & Assets

If your company is ever audited by the IRS, you could lose personal possessions. The Complete Book of Corporate Forms (print and disk) protects you while saving time/money. Free sample.

880 • Cessna

Call us now for details on how your company can get into a fast, efficient CitationJet — the truly cost-effective alternative to the slow speeds of propeller-driven aircraft or the hassles of airline travel.

892 • Ascom Hasler Mailing Systems

Start saving money in your firm's mail processing with efficient, economical, attractively priced mailing systems. Learn how our new postal and shipping scales will put more smarts in your mailroom. Punch 892 for more information.

860 • IBM Software Support For Personal Systems

IBM's award-winning support for Personal Systems can help enhance your productivity with Desktop Systems. Simply select the services that best meet your business needs. 24-hour telephone/electronic access to technical specialists — and much more.

877 • Warren, Gorham & Lamont

Essential Facts from Warren, Gorham & Lamont. Finally, a practical way to comply with today's ever-increasing laws and regulations. Call today for instant information on how *Essential Facts* can make a money and time-saving difference to your business.

858 • Royal Copystar

Copystar and Royal Copystar compact, desktop and high-volume systems are supported by a nationwide network of skilled sales and service personnel. From the world's third-largest copier manufacturer. Call today.

861 • Budget Rent-A-Car CorpRate* Program

Start saving money today with the Budget CorpRate* program designed to manage company travel efficiently. Our multi-tiered pricing structure enables customers to design programs that meet their specific rental needs.

862 • National Motorcoach Network

Looking for quality ground transportation? Call the experts, the National Motorcoach Network, serving 100s of cities in 44 states with over 2,000 modern motorcoaches. Call today for your free Network Directory and Pre-Booking Checklist.

881 • American Life Insurance

Help your employees provide for their future with an American Life 401(k) Pension Plan. Fourteen investment options; unlimited allocations; no commissions, transfer charges or withdrawal fees.

874 • For Manufacturers Only!

Accurate job costing is critical to your pricing strategy — and to your profitability. The IBM Manufacturers Support Group has a "Hot Topic" fax about key success factors in automating a system to give you greater control over costs.

864 • Quotesmith Corporation

Provides free insurance price comparisons for consumers and business owners on rates and coverages of 400+ leading insurance companies. Reports for individual term life, tax-deferred annuities, medical, long-term care and Medicare supplement.

859 • IBM Support Family Of Services

For software support of networking, midrange and large IBM systems, rely on the IBM Support Family of Services. Our technical support is easy to use and helps you maximize the full potential of your system. Satisfaction guaranteed or your money back. Call today.

872 • IBM PC Server

You should choose a network server as if your business depended upon it. Because it does. That's why IBM built an affordable yet reliable PC Server for small business. Call for more information.

865 • MarketFAX

If you are requesting information from any of the advertisers on this page — you are using interactive fax technology or fax on demand. Is this exciting technology right for your business? Find out — call today.

867 • Connecticut Mutual

From The Blue Chip Company: Panorama®* Variable Annuity. Connecticut Mutual's tax-deferred retirement vehicle continues to impress the country's most knowledgeable independent sources. Call today. (*National Distributor: G.R. Phelps & Co., Inc., a subsidiary of Connecticut Mutual.)

887 • The Blue Chip Enterprise Initiative Award

Call for a free application kit and guidelines to help you participate in this nationally recognized small-business award and information-sharing program. Benefits to businesses selected include publicity support and coverage in the Initiative's case history book and video library.

868 • Pitney Bowes

Considering the recent postal rate increase, it's important to keep mail processing cost-efficient. Call and discover how you can avoid "over-posting" expenses with our postal meters and scales.

Nation's Business
The Small Business Adviser



Compaq Presario 900


Gateway P5-100XL

Quattro Pro for spreadsheets, WordPerfect Presentations for presentations and graphics, Envoy for sharing documents, InfoCentral for personal-information management, and GroupWise for electronic messaging and group scheduling.

Among other features, the suite permits QuickTasks—one-click, automated procedures for carrying out common office functions.

The Professional Edition includes the Paradox database program and the Visual AppBuilder utility for customizing software. The standard package sells for about $439, while the professional bundle is available for about $569.

Mobile Office

Professionals on the move demand plenty of computer processing power and storage as well as connectivity. The following products can meet these demands either in or out of the office:

AST Ascentia 910N (AST Research Inc., 1-800-876-4278): The AST Ascentia line is a fine example of notebook PCs that can serve as capable replacements for desktop computers. Principal features of the model 910N include an Intel DX4/75Mhz processor, 8MB of RAM, a 500MB hard drive, and a comfortable keyboard with a built-in pointing device. A key attraction is the huge (by portable-computer standards) 10.4-inch display. A high-end active-matrix screen makes for razor-sharp images.

In addition, the 910N uses a lithium ion battery that can provide 10 or more hours of operation. The 6-pound 910N retails for about $4,799. A model with a 50Mhz processor, a 340MB hard drive, and a low-end (passive-matrix) display costs about $2,999.

Epson ActionNote 880CX (Epson America Inc., 1-800-289-3776): Epson has created a notebook PC sporting a large (10.3-inch) passive-matrix LCD (liquid crystal display) screen and innovative touches such as the TouchPad pointing device—a finger-operated track pad that handles mouse functions.

Powered by Cyrix Corp.'s 486DX2/80Mhz processor, the ActionNote 880CX has 8MB of RAM, a built-in audio card for sound reproduction, and a microphone for audio input. An internal 14.4 kilobits per second (kbps) fax/modem and removable 340MB hard drive are standard, as is a software bundle that includes the Sidekick personal information manager, developed by Borland International. The retail price is $4,549.

Gateway Liberty (Gateway 2000, 1-800-846-5227): This subnotebook computer, easy to tote at 4.2 pounds, still packs an astounding amount of power and features: a 10.4-inch color LCD screen, up to 24MB of RAM, and hard drives of up to 720MB. It also has two industry-standard (PCMCIA Type II) slots for peripherals and an on-screen gauge that indicates remaining battery life.

In addition, the Liberty comes with an infrared port for cable-free transfer of files to a similarly equipped PC. Retail prices range from $2,799 for a model with a 50Mhz processor, 8MB of RAM, and a 340MB hard drive to $4,799 for a model with a 100Mhz processor, 24MB of RAM, and a 720MB hard drive.

IBM ThinkPad 755CE (IBM Corp., 1-800-426-7255): Many in the field rate IBM's ThinkPad series as the ultimate traveling office line. The 755CE is a notebook PC that features one of the crispest LCD screens we have seen, a 100Mhz Intel processor, 8MB of RAM, and a built-in communications system that handles not just data and fax transmissions but also telephone calls via a speaker phone and answering machine. At 6.4 pounds, the 755CE provides 3.5 to 10 hours of battery life. The ThinkPad 755CE sells for $6,249.

For even more power and similar battery life, consider the 755CD. It features an internal CD-ROM and weighs 7.3 pounds. It is priced at $7,599.

Sharp Zaurus (Sharp Electronics Corp., 1-800-237-4277): Bringing your office with you could not be simpler thanks to the Zaurus, Sharp's latest personal digital assistant (PDA). Measuring only 6.7 by 3.9 by 1 inches and weighing 13.6 ounces, the Zaurus has plenty of built-in software, including a contact manager, a note pad, and a word processor with spell check.

The unit can format and store customized forms, and, with the optional fax modem, can send and receive faxes. The system can operate up to two months on two standard AA alkaline batteries.

The list price is $749; the fax modem costs $100.

Texas Instruments TravelMate 4000M (Texas Instruments Inc., 1-800-848-3927): The TravelMate 4000M notebook PC enables you to make multimedia sales presentations and do all of your office work on the road. Standard equipment includes a 16-bit sound card for audio output on an internal speaker and a built-in microphone for recording.

The TravelMate has 4MB of RAM, up to five hours of battery life, and a crisp color display screen. An optional multimedia docking system ($800) comes with a CD-ROM drive, stereo speakers, headphones, and an external microphone.

Systems range from $2,299 for a 50Mhz processor and a passive-matrix screen to $5,530 for a 100Mhz model with an active-matrix display.

Office Communications

Communications products have gone digital, which means they are more reliable,


Sharp Zaurus


IBM ThinkPad 755CD

PRIME RATE

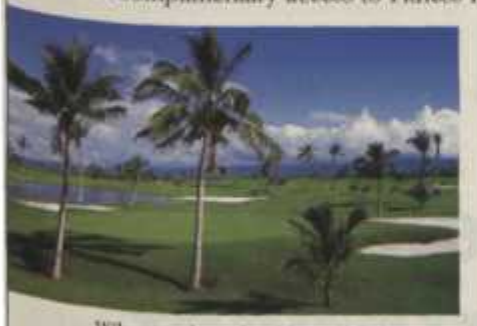
PRIME LOCATION

PRIME TEE TIMES

$145 per room daily, single or double occupancy

Our EXCLUSIVE CORPORATE RATE includes:

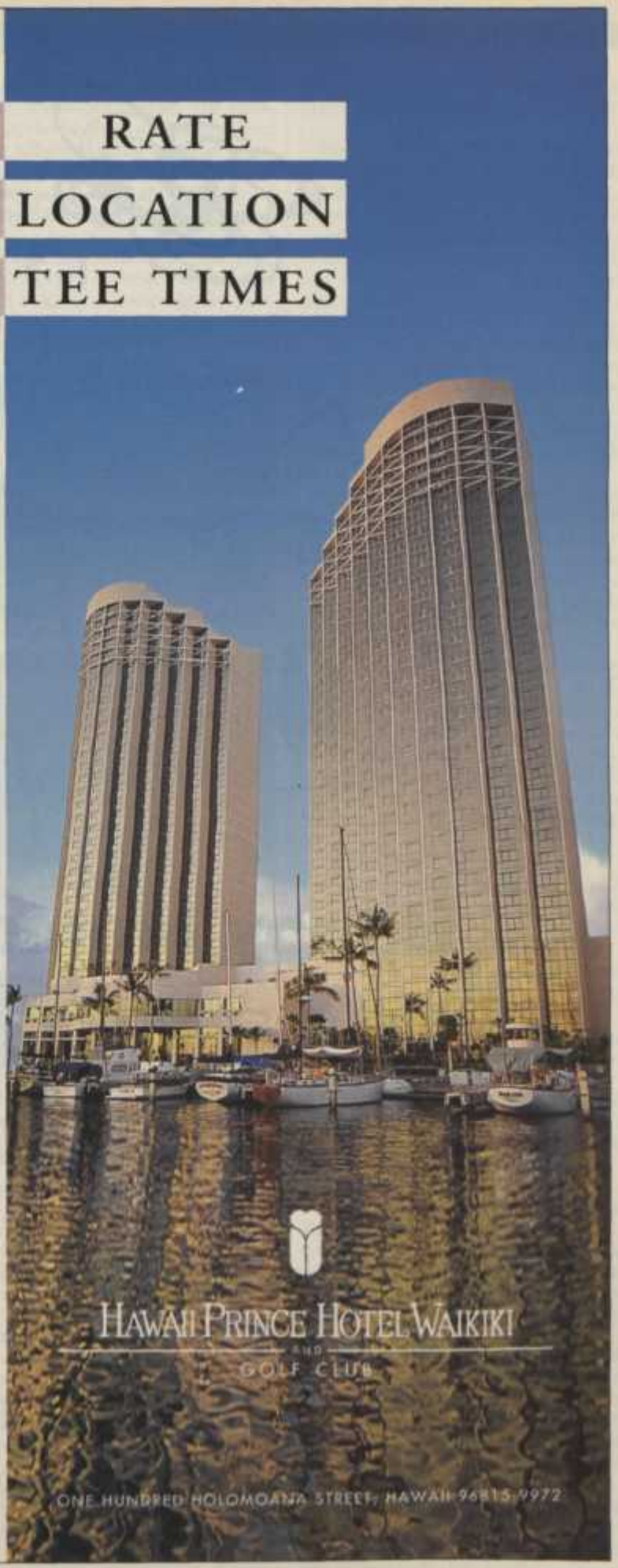
- Oceanfront accommodations
- Automatic room upgrade
- Welcome amenity
- Fully-equipped Business Center
- Complimentary local, toll-free and access phone calls
- Complimentary daily newspaper and guest parking
- Complimentary access to Fitness Room



What makes the Hawaii Prince your top choice for business? Our impressive ballroom and smaller function spaces. A prime waterfront location close to downtown Honolulu and Waikiki. And the 27-hole Hawaii Prince Golf Club, designed by Arnold Palmer. Call your travel agent or the Hawaii Prince at 1-800-321-OAHU and ask for our "EXCLUSIVE CORPORATE RATE."

TO LEARN ABOUT THE SPECIAL REWARDS OF OUR PRINCE PREFERRED CORPORATE PROGRAM, CALL 1-714-474-5566.

Some restrictions apply.





Happy Memories Are Every Child's Birthright

The 97 officers of the LAPD Juvenile Division rescue over 7,000 Los Angeles children from abuse, narcotics, homicide, and pornography each year.

They need your help. Give our children happy memories and help erase the bad ones. Support Juvenile Division.

Our corporate sponsors and volunteers help provide:

- Emergency basic childcare needs
- Friendly environment to receive abused and neglected children
- Hi-tech equipment for tracking and apprehending abusers
- Scholarships for specialized officer training

Give a Memory **800-PATRON-4**

PATRONS OF THE CHILDREN

A non-profit organization with no overhead supporting LAPD Juvenile Division

have more features, and are easier to use. Following are both wired and wireless office communications products that could be useful for you:

AT&T 3770 Portable Cellular Telephone (AT&T, 1-800-232-5179): AT&T's advanced cellular phone features a three-line LCD screen that provides menus for easy operation of various phone options, a 60-number memory, a pager mode, and automated credit-card calling. The 8-ounce, battery-powered phone provides one to two hours of talk time and 16 hours of standby time between charges. Pricing varies with the monthly service plan you choose.

BellSouth Simon (BellSouth Cellular Corp., 1-800-746-6672): The Simon—designed by IBM, built by Mitsubishi, and marketed by BellSouth—is one of the most novel and functional personal digital assistants (PDAs) on the market.

About the size of a conventional cellular phone, it combines functions of a wireless send/receive fax machine, a pager, an E-mail terminal, a stand-alone information manager, and a cellular phone.

The Simon has a touch-screen display for use in dialing and accessing other PDA functions. We found the Simon to be extremely easy to use and, at about 1 pound in weight, easy to carry. List price, including activation, is $899.

Motorola NewsCard (Motorola Paging Products Division, 1-800-542-7882): Motorola's unique NewsCard, a one-way wireless modem/pager that plugs into the PCMCIA slot in a notebook PC or PDA, lets traveling office workers receive a wide range of business information.

For example, real-estate agents in the field can receive new listings via the NewsCard, or a sales force can obtain the latest product pricing information. The price depends on the paging service provider and the NewsCard options chosen.

Motorola Tango (Motorola Paging Products Division, 1-800-542-7882): The Tango is the first two-way pager: It not only can receive alphanumeric pages but can respond to them as well. The compact Tango fits easily on a belt, holds up to 100 kilobytes of messages, and operates nationwide. Pricing varies with the service bundle chosen from the Tango provider.

Muratec VF1000 (Murata Business Systems Inc., 1-800-543-4636): Muratec's VF1000 can store any combination of 20 minutes of voice messages and 60 pages of fax transmissions in up to 10 voice- and fax-mail boxes. Recorded messages and faxes can be forwarded to another telephone (or fax machine) automatically. A retrievable summary page of activities allows users to retrieve important faxes while discarding others. And the VF1000 can store "FaxNotes," which are documents that can be faxed on demand from incoming callers. Adding optional memory can provide as much as 100 minutes of voice or 300 pages of fax storage. The list price of the base model is $399.

NEC TalkTime 115D (NEC America, 1-800-NEC-INFO, 1-800-632-4636): The TalkTime 115D is a novel battery-powered, digital-cellular phone from NEC that provides 100 minutes of talk time and



Motorola Tango



Muratec VF1000



BellSouth Simon

14 hours of standby time between charges.

The 12-ounce phone adheres to the new TDMA (time division multiple access) standard, which provides for enhanced reception quality and longer battery life.

Other features include 24-number speed dialing, a digital LCD display screen, and a feature that allows two numbers to be programmed into the phone for local calling in different service areas. The price varies with the monthly service plan chosen.

Office Imaging

Hard copies of office documents—whether generated by printers, fax machines, or copiers—can now be of print-shop quality, thanks to many reasonably priced devices, including the following:

Brother HL-630 Printer (Brother International Corp., 1-800-276-PRINT, 1-800-276-7746): Brother's HL-630 laser printer is easy to use and provides excellent print quality, yet it sells for only about $400. The six-page-per-minute HL-630 employs a unique straight-through paper path that reduces paper jams and has 300-dpi (dots per inch) output.

The printer has no on/off switch; rather, the machine powers up when it senses a print request coming and powers down when the job is complete.

The memory can be upgraded for larger jobs and Macintosh compatibility.

Canon BJC-4000 (Canon Computer Systems Inc., 1-800-848-4123): Office buyers with color as well as black-and-white printing needs have always faced a tradeoff: You could get decent color quality from an ink-jet printer, but monochrome print speed from such a device was painfully slow.

Canon's new BJC-4000, which retails for less than $300, churns out laser-quality (720-by-360-dpi resolution) monochrome documents at the respectable speed of five pages per minute, and it provides rich, full-color documents when necessary at about two pages per minute. Overall, this printer is a great bargain.

Citizen PN60 portable printer (Citizen America, 1-800-477-4683): The PN60 demonstrates that you can get quality printing on the road. At just about 1 pound and with a slim-line design, the PN60 will fit in almost anyone's briefcase.

But despite its small size and light weight, it provides crisp printing at 360 dpi resolution, color output via a snap-in color ribbon cartridge, and battery operation.

While it must be fed a single sheet of paper at a time, the Citizen PN60 is a fine device for those who need printing capability while traveling.

Hewlett-Packard OfficeJet (Hewlett-Packard Co., 1-800-474-6638): The OfficeJet is a beautifully conceived multifunction device that should meet the basic office-equipment needs of smaller businesses that are trying to conserve costs and space.

The OfficeJet offers crisp ink-jet printing at 600 by 300 dpi, rivaling laser-printer output in quality; it also sends and receives faxes on plain paper and serves as a low-volume copier. Yet it takes up no more space than a stand-alone fax machine or printer.

Also noteworthy: a 24-page memory, which is invoked when the OfficeJet runs out of paper or is printing when an incoming fax is received. No special software is


Canon BJC-4000


Okidata OL400e


Mita DC-4056

required; the user merely plugs the OfficeJet into a power outlet, telephone line, and PC, and it's ready to operate. The price is $799, which includes a one-year warranty and technical support.

Lanier 5010 MFD (Lanier Information Services, 1-800-708-7088): Lanier's 5010 MFD is a high-powered entry into the world of multifunction devices for small or medium-size businesses. The combination printer/fax machine/copier can handle multiple tasks. For example, it can print and fax at the same time or copy and receive a fax simultaneously.

Other basic features include unusually fast 10-page-per-minute speed in printing or copying, memory of up to 75 pages of incoming faxes, and the ability to handle several sizes of paper. The 5010 MFD retails for just under $4,000.

Lexmark Optra R (Lexmark International Inc., 1-800-891-0399): Lexmark has elevated office printing to a higher level of quality with its Optra family of laser printers, the first affordable line with true 1,200-by-1,200-dpi resolution. All the Optra printers are ready to be incorporated into a computer network.

Retail prices range from $1,749 for the Optra R, which prints at 12 pages per minute, to $3,600 for the Optra Lxi, at 16 pages per minute.

Minolta EP3050 (Minolta Corp., 201-825-4000): The EP3050 is part of Minolta's CS-PRO series, which includes a number of components designed to offer increased reliability and ease of use. The 35-page-per-minute copier has advanced functions such as an automatic three-hole paper punch and a paper capacity of up to 6,550 sheets. Also built in are sophisticated editing features, a stapler/sorter, and a three-way paper feed. The price is $6,865.

Mita DC-4056 (Mita Copystar America Inc., 1-800-222-6482): Midvolume copiers provide businesses with most, if not all, of the features of larger and higher-priced top-of-the-line copiers. The Mita DC-4056 puts out 40 pages per minute, has two 500-sheet paper drawers, and provides automatic paper and magnification selection. List price is $6,845.

Okidata OL400e (Okidata, 1-800-654-3282): A $399 wonder is the Okidata OL400e, which produces 300-dpi output at four pages per minute and has a remarkably simple and compact design. The OL400e is inexpensive to operate as well, with replacement toner cartridges retailing for about $19. For more demanding printing, Okidata also sells the OL410e, a $549 printer that provides 600-by-600-dpi output at four pages per minute.

Royal Copystar RC-2260 (Mita Copystar America Inc., 201-808-8444): If your business requires a high-volume copier, look at the powerful, feature-rich, yet simple RC-2260, capable of producing up to 100,000 copies a month and 60 pages a minute. The RC-2260 has all the options you'd expect in a high-end machine, such as the ability to handle many sizes and types of paper and capacity for advanced enlargement/reduction.

It also contains a few features you may have never encountered, such as Custom Edge Erase for copying checks and other odd-size originals and artificial intelligence for ensuring consistent copy quality. Options include a sorter with 20 bins, each of which can accommodate—and staple—a 50-sheet document. The base price of the RC-2260 is $22,295.

Xerox 3000 Series (Xerox Corp., 1-800-832-6979): The Xerox 3000 series of multifunction products handles printing, faxing, and copying. All these products (Models 3002, 3004, and 3006) possess 300-dpi ink-jet printing and send/receive fax capabilities on plain paper. Copier functions include reduction/enlargement from 50 percent to 200 percent. The Model 3006 adds the ability to scan documents into, or fax documents to or from, a personal computer.

Prices range from $1,550 to $1,795, depending on the model.

Miscellaneous

Other money- and time-saving devices in today's office-equipment marketplace include the following:

Ascom Hasler 120I/MP 2 (Ascom Hasler, 1-800-243-6275): Because of rising postage rates, controlling mailing costs has become an important aspect of office management. The Ascom Hasler minimailing system is a fine tool for achieving that control.

The system has two parts: the MP 2 scale and the Model 120I postage meter. The former component is an electronic scale that can precisely weigh letter mail and packages of up to 2 pounds. The scale is connected to the second component, the electronic postage meter, to produce the appropriate postage automatically. The retail price is $1,095.

Curtis Data Switches (Curtis by Rolodex, 1-800-955-9514): A data switch may not be the most sophisticated product in your office, but it can easily solve a common office need: connecting a single computer to two printers and vice versa. The DS3 A/B switch connects two printers to a single computer, while the DS4 connects two computers to a single printer. Each product sells for about $35.

Also worth considering is the Curtis SP5000, a surge protector with eight outlets that also includes surge protection for two fax/modem lines. The price is $69.

Fellowes PS70 Deskside Personal Shredder (Fellowes, 708-893-1600, Ext. 6520): Sometimes the best thing to do with office paper is get rid of it. The Fellowes PS70 Deskside Personal Shredder works easily, providing document security and compacting waste. The unit accommodates up to eight sheets at a time and retails for $329. NB


Fellowes PS70 Shredder

FINANCE

Need A Loan? See Your State

Don't overlook your state's economic-development agency as an alternative source of financing.

By Peter Weaver

If you're having trouble getting a start-up or expansion loan for your business, check with your state's economic-development agency. In recent years, these agencies have developed various programs tailored to small firms.

"Every state now has a fully funded economic-development program to help small businesses get the financial assistance they need," says Ellen Hagey, deputy director of the Council of State Community Development Agencies, an association based in Washington, D.C.

Unfortunately, most small-business owners don't know these programs exist, says Mike Williams, executive director of the Louisiana State Economic Development Corp. He cites the case of Dolph Williams, president of Frosty Factory of America, a Ruston, La., manufacturer of a machine that makes icy slush for sorbets and frozen drinks.

"I had a good idea and a good machine," Dolph Williams says, "but when I went to my bank, I needed more money than they could give me with no collateral." After his request for a $325,000 loan was turned down, Williams heard about the state's economic-development corporation.

After reviewing Williams' well-documented business plan, the agency offered to guarantee 50 percent of his loan with the bank. That brought the bank back to the table, and the loan helped boost Williams' fledgling enterprise. "I doubled my business in a little more than a year and paid off the loan," he says.

As a rule, state agencies supply a combination of loan guarantees, direct loans, or participation in loans with banks. "About 75 percent of our assistance goes through loan guarantees," says Mike Williams, the Louisiana official. "The remaining 25 percent works through direct participation in loans with banks."

Some states have funds earmarked for specific types of business ventures that banks often shun. One such program helped Cecelia Pfeffer launch her day-care center in Burtonsville, Md. "After my bank turned me down, I heard about a special day-care financing program offered by the Maryland Department of Economic and Employment Development," says Pfeffer, director of The Learning Tree day-care center.

With a loan guarantee, Pfeffer got the $440,000 needed to purchase—at a below-market interest rate—and remodel a large home for the new center.



PHOTO: SPAIA, GUILLORY

A loan guarantee *from Louisiana's economic-development corporation was instrumental in helping Dolph Williams expand his ice-maker company.*

When a state can guarantee a loan or bring in some of its own money, the bank's risk factor is lowered. "And, when you lower the risk," says Mike Williams, "a bank may be able to offer a better rate and a longer repayment schedule."

While the Maryland and Louisiana entrepreneurs were seeking higher-risk loans involving hundreds of thousands of dollars, state and local economic-assistance agencies often deal with much smaller amounts. "Our loan guarantees," says Williams, "range from as little as $5,000 on up to $1 million."

And financing can come in all sorts of combinations involving help from other agencies. "We often work with the federal Small Business Administration," says Williams, "by taking a piece of the loan or picking up the line-of-credit part of the package while they take the fixed-asset or term-loan portion."

How do you tap into state and local government financing? The crucial first step, say successful borrowers like Cecelia Pfeffer and Dolph Williams, is to calculate your needs carefully and craft a sound business plan.

"If you have trouble with your business plan," says Mike Williams, "you can get plenty of help from one of the regional small-business development centers, which are usually affiliated with local universities or community colleges."

After you have what you feel is a good business plan, go to your bank or, if necessary, other banks in your area to discuss loan possibilities. Have a list of what state and local agencies are offering in the way of guarantees, loan participation, or other financing tools.

"We've found that most banks love these small-business assistance programs," Mike Williams says, "because the risks are lowered, so they can put more moneymaking loans on the books."

For More Information

To find out what your state offers, check the phone book under state government for an economic-development or commerce department. Ask for a catalog of all your state's small-business financial-assistance programs. Some cities and counties also have programs.

The U.S. Small Business Administration also publishes *The States and Small Business: A Directory of Programs and Activities.* It includes names, addresses, phone numbers, and detailed descriptions of financial-assistance programs. Check your library or order one with a credit card by calling the Superintendent of Documents at (202) 512-1800. The price is $21 postpaid, and the order number is 045-000-00266-7. NB

Creative Financing That Succeeds

Lenders and franchisors are making it easier for franchisees to get the money they need to launch a business.

By Meg Whittemore

You want to buy a franchise, and you've done all your homework. You are ready to make the purchase—provided you can line up the financing. Where do you turn?

Regardless of the cost of the franchise, you likely will end up borrowing at least a portion of the start-up capital to pay for real estate, equipment, inventory, or business construction. And the news from the franchise-financing front is good.

In their efforts to serve more small businesses, community-based as well as national banks and other lenders are becoming more knowledgeable about franchising and extending their reach in that field. Many banks now have departments that specialize in franchise and other small-business loans. Often, a specific loan officer is designated to handle applications for franchise loans. Some nonbank lenders are backing franchisees who in the past would have had difficulty securing a loan. In addition, the franchisors themselves are taking a more active role in helping franchisees secure the needed financing.

A Franchise-Friendly Approach

The formation of franchise-financing departments by banks and nontraditional lending institutions is a sign that lenders are taking franchising seriously—primarily because of the positive track record of repayment that franchisees have established. "It's a good piece of business if you can get latched into a franchise system that is growing," says Frank Bridges, assistant vice president at Virginia Beach Federal Savings Bank, in Virginia.

"Franchise lending is a significant growth area, which is good news for the borrower," says Deryl Schuster, president of Emergent Business Capital, Inc., in Wichita, Kan.

Lending institutions are working to design loans that don't leave the franchisee borrower feeling strapped. "It's still tough to finance against something you can't get hold of," Bridges says. "But there is more creativity now and a lessening of the cookie-cutter loan formulas."

Bridges heads Virginia Beach Federal's franchise-financing department and works with franchisees on loans from $50,000 to $6 million. "We have the expertise to structure debt in a way that allows the franchisee to comfortably repay," he says.

While traditional banks are examining franchise financing as an area of potential growth, nonbank lenders, such as Stephens Franchise Finance, based in North Little Rock, Ark., are stepping up their services to the franchise community, looking beyond the types of franchises traditionally granted loans.

One of the frontier areas in franchise finance is in funding nontraditional sites, such as kiosks and pushcarts. "We are finding that most lenders are hesitant to lend when the location doesn't involve hard real estate," says Donald Hakes, vice president of Stephens' Northeast region. Hakes says the company is developing a program to finance nontraditional sites because "we see 50 percent of the future growth in franchising will be in nontraditional sites."

A relatively new arrival to the franchise-financing arena is the National Cooperative Bank, a congressionally chartered financial institution based in Washington, D.C. It was created in the late 1970s to provide financial services to business co-operatives that supply products and services to franchises and other



PHOTO: JUNE CALLWEY

Lighting-accessory franchisees *Sarah and Ron Kistner put their house on the line to secure financing for their Columbus, Ohio, business. They say sales are exceeding projections.*

Franchising SPECIAL GUIDE

small businesses. Earlier this year, NCB announced it had sold to the secondary market $250 million in equipment loans for small businesses—including franchises.

The Franchisor's Role

In the past, would-be franchisees often found themselves alone when trying to secure a loan. While franchisees continue to bear the burden of finding capital for their business, franchisors are helping out in a variety of ways—including co-signing loans, entering into joint ventures with franchisees, sponsoring "sweat-equity" programs (where the franchisee works off part of the total start-up fee), and offering franchisee-in-training strategies.

Although few franchise companies offer direct financing, many have developed long-term relationships with banks in their markets. Such banking relationships offer a third-party endorsement for loan applications. Other franchisor services include help with the loan application and the supporting materials required by banks. Many franchisors also offer various other financing arrangements, including leasing programs for equipment, deferred payment of the franchise fee, revolving credit for inventory purchases, group buying discounts, and financial consulting services to help would-be franchisees get started.

At the same time, financial institutions are paying more attention to the financial health of the franchisor—as well as that of the potential franchisee. "We consider the financial strength of the franchisor more important than the franchisee's financial picture," says Donald Hakes of Stephens Franchise Finance. "When we are lending, we want to share the risk with the franchisor."

Franchisee-In-Training

One of the most costly mistakes a franchisor can make is to select the wrong franchisee. Denver Wilson, vice president of AAMCO Transmissions, Inc., a franchisor of repair shops, based in Bala Cynwyd, Pa., says: "It's not enough to just make sure the incoming franchisee has enough money to buy the franchise."

In an effort to avert a mismatch, AAMCO last year started its franchisee-in-training program, which offers people who have the experience and skills—but not all the money—the opportunity to become AAMCO franchisees.

For a lower initial investment, Gerry Fox, a former computer programmer, agreed to be trained and then serve as an apprentice at various AAMCO locations before venturing out on his own.

"I am essentially earning the right to

What To Ask Before Buying

In its booklet *A Consumer Guide to Buying a Franchise*, the U.S. Federal Trade Commission says prospective buyers should consider closely their answers to several basic questions before moving ahead with a franchise purchase. Among them:

- How much money can you invest?
- How much money can you afford to lose?
- Will you purchase the franchise by yourself or with partners?
- Will you need financing, and, if so, where will you obtain it?
- Do you have a good credit rating?
- Do you have savings or additional income to live on while starting your franchise?

The booklet is free. To order, call (202) 326-2222.

There's Strength in Numbers



Success Magazine's Number 1 Franchise

1-800-766-7099

GNC
GENERAL NUTRITION CENTERS
Here's To Your Health, America!®

Circle No. 47 on Reader Service Card

Two-Step Your Way To Success

Step 1: Come to Dallas to experience our exciting franchise business. (We'll even reimburse half the cost of your airfare*!)
Step 2: Take advantage of a full-day of franchise education FREE!

Two steps and you're on your way to franchise success. With over a decade of experience in the rotisserie chicken business, we're just the "pardner" you need.

Call 1-800-269-4374 and let the dance begin!

Cowboy Chicken

©1995 Cowboy Chicken Franchise Inc. *Some restrictions apply. Call for details.

Circle No. 16 on Reader Service Card

Smart Choice.



"I'm not the kind of person who enjoys getting his hands dirty so-to-speak, so of course my initial reaction to an automobile painting business was luke-warm. That was fifteen years, and three franchises ago."

—Kurt Seifert

We are "America's Smart Choice"™. In 1994, we reached our best average unit sales in 22 years. Call today to discuss:

- Financial Assistance
- On-Going Operational Support
- Site Selection Assistance
- National Advertising Presence
- Training
- Brand Name Recognition

1-800-296-2226

Maaco AUTO PAINTING & BODYWORKS

Min. cash investment $5,000.

Circle No. 58 on Reader Service Card

INTRODUCING THE NEW SIR SPEEDY.

(Please don't call us a printing franchise.)

Fast, efficient digital technology is changing the way businesses move information. To service these changing needs, Sir Speedy is building a digital network.

The new Sir Speedy is a printing, copying and digital services center. Electronically linked to other centers across the country and around the world. Linked to customers to facilitate rapid job turn around. Linked to major international strategic business partners for expanded services.

All to ensure that Sir Speedy continues its industry leadership and success into the twenty-first century. No wonder Sir Speedy has the highest network sales volume. And receives the highest rankings from *Entrepreneur, Success* and *Income Opportunities* magazines.

Share the vision. Build a network in your market area. Then reach beyond your boundaries as part of the Sir Speedy global digital network. Act now. The world is shrinking.

Sir Speedy

PRINTING • COPYING • DIGITAL NETWORK

Attn: Dave Collins
23131 Verdugo Dr., Laguna Hills, CA 92653
(800) 854-3321 Fax (714) 458-1297

$45,000 to $65,000 minimum investment required.

have a franchise," says Fox. The cost to open an AAMCO franchise is $125,000. Fox is required to have $15,000 for working capital. AAMCO will co-sign a five-year note for $60,000; an additional $20,000 in a two-year loan, with repayment starting in the sixth year of operation; and $30,000 more in a three-year loan, with repayment beginning in the eighth year of operation.

Wilson emphasizes that the new program, while offering people greater access to an AAMCO franchise, "is not a free ride. The applicants we allow into the program are top-notch." Fox has his eye on the location he wants—close to his home in Phoenixville, Pa.

AAMCO's real-estate department is moving ahead with the initial research, and, if all goes well, Fox will open his first location in August.

Hybrid Arrangements

Franchise companies are developing other ways of reducing financial barriers for franchisees. Filterfresh Corp., a Westwood, Mass., franchisor of office coffee service, offers a joint-venture approach to franchise ownership. Under the program, new dealers are required to come up with $40,000 to $60,000—roughly one-fifth of the start-up costs—and Filterfresh contributes the rest. The new dealer receives a salary with benefits, plus an equity position of 15 to 30 percent. That equity position can be cashed out seven to 10 years down the road.

"This hybrid between a company store and a franchise has benefits both for the franchisees and for us," says Glenn Cooper, vice president of franchise development for Filterfresh. It lowers the barriers to entry for the franchisees considerably, he says. For Filterfresh, "it attracts a new group of quality franchise operators, gives us the chance to be more selective, and generates larger returns for the company than the usual 5 percent royalties," says Cooper.

A joint-venture program fit the bill for Bob Lindsay, an Ann Arbor, Mich., franchisee who was looking for a retirement investment. "With the buyout plan, I think I'll be able to have a large nest egg in seven or eight years," he says.

At Kitchen Solvers, a La Crosse, Wis., company that refaces kitchen cabinets and drawers, keeping existing cabinet framework intact, founder Gerald Baldner saw to the financial needs of franchisees Brian and Suzie Crowley by co-signing an $8,000 bank loan for their purchase of an existing franchise in Cedar Rapids, Iowa. Brian Crowley, who worked for the company for two years as an installer, says he needed the loan to complete the purchase of the franchise.

"It's not often that a franchisor has the opportunity to sell a franchise to a former employee," Baldner explains. "I don't offer personal financing to franchise prospects. I offered to co-sign because of my personal and professional relationship with him."



PHOTO: ©JOHN BERGE

Sandwich franchisee *Tom Grahek opened his Fargo, N.D., and Duluth, Minn., stores by selling stock to family members. He plans to open another store in the Minneapolis-St. Paul area, this time funded by an outside investor.*

Franchising SPECIAL GUIDE

A Mix Of Funding Sources

One key to successful financing is to mix and match funding sources, say franchise experts. Consider your own resources, franchisor assistance, venture capital, government programs, loans, and equipment leasing as slices of the financial pie. Spread the risk, experts advise.

Before you consider borrowing money from a bank, review your personal financial situation, says lamp-products franchisee Ron Kistner. He and his wife, Sarah, own the Dublin, Ohio, franchise of A Shade Better. The company, headquartered in Cleveland, sells lamp shades, lamps, finials, and related merchandise through retail locations.

The Kistners needed $110,000 to open their franchise a year ago. They had $45,000 in savings and cashed-out stocks. Their bank gave them a $50,000 home-equity line of credit, along with a two-year commercial note for $15,000.

Before approaching the banks, Ron—whose college studies included a course in entrepreneurial finance—put together a

Writing A Winning Loan Proposal

Regardless of the type of franchise you plan to open, you will need a loan proposal to get financing. Several bankers told *Nation's Business* that such a proposal should include an overview of the franchisor and the would-be franchisee and a summary of the franchise agreement. A loan proposal should then include the following information:

Market Data

This section should include:

- An overview of industry trends. The lender will want to know whether you are catching the beginning of a marketing trend or trailing a well-developed competitor.
- The size of the market and its potential, including the franchisor's national and international market share. If the franchisor is new to the business, include projections.
- An assessment of the competition, including an honest opinion of where you stand relative to your competitors—both franchised and independent businesses.
- Local public-relations and advertising strategies. These are important because they tell the lender how you intend to make yourself known in your market and how much you'll spend to do it.

Financial Data

- Financial statements of the franchisor, personal financial statements of the franchisee, credit references for the franchisee, and tax returns for the past two years.
- The amount of capital needed, proposed repayment terms, and the intended use of the capital.
- Available collateral.

Franchisor Data

Loan officers will want to know as much about the franchisor and its business practices as possible to identify the company's strengths and weaknesses. The level of ongoing support and franchisee training offered by the franchisor helps lenders gauge the chances the franchisee might go out of business.

Lenders look for a series of characteristics in determining the franchisor's strength, such as:

- Trends within the franchisor's industry affecting the long-term viability of products or services being sold.
- The financial and operational track record of the franchisor's other franchisees and company-owned units. This information includes revenue levels, the expected break-even analysis for the units, and profitability.
- The willingness of the franchisor to offer so-called comfort to the lender in the forms of guaranties, subleases, or remarketing agreements.
- The depth and experience of the franchisor's management team.
- The quality of the training and support offered by the franchisor.
- The franchisor's plans for expansion and growth. An overly aggressive plan may scare off a lender, while a timid plan may raise concerns about the viability of the franchising program.
- The "word on the street" about the franchisor in its industry. To get it, talk to franchisees, competing businesses, other lenders and landlords, and the Better Business Bureau, as well as friends, neighbors, and professional colleagues who might use the franchise business.
- The franchisor's litigation and arbitration history, especially in disputes with its franchisees.
- The strength of the franchisor's intellectual property, such as trademarks, patents, and trade secrets.

Schedule And Exhibits

Be prepared to provide the lender with supporting documents for your loan proposal. The materials that lenders are likely to request are franchise-offering documents; lease, franchise, shareholder, and partnership agreements; insurance policies; and business licenses.



THE WORLD'S FASTEST GROWING ENVIRONMENTAL SOLUTIONS COMPANY IS LOOKING FOR A FEW TOP-NOTCH, HIGHLY-MOTIVATED, MANAGEMENT-ORIENTED FRANCHISEES.

FACT: Business experts agree; today's environmental problems will generate a multi-billion dollar service industry within the next five to ten years.

FACT: Environmental Biotech is positioned as the leader in this explosive and exciting business.

- *Rated #1 Franchise In Category by Entrepreneur Magazine.*
- *Success Magazine's "Gold 100".*
- *INC. Magazine's "Top 100".*
- *"Top 10 New Franchise" - Success Magazine.*

FACT: Environmental Biotech is ranked #1 because our proprietary technology works.

Our unique business program utilizes the latest breakthroughs in biotechnology and science. We require hiring and management experience, marketing background, entrepreneurial desire, and an investment in excess of $100,000. This franchise is not for everyone. We're looking for business people not techies...no scientific background required. Honesty and integrity is a must!

If you're a limitless achiever with the ability to implement a dynamic growth business program, we need to talk. Discover the most exciting franchise opportunity of the 21st century...CALL NOW!

Environmental Biotech®

YOU WIN. EARTH WINS.

(813) 358-9112/FAX (813) 359-9744
4404 N. Tamiami Trail, Sarasota, FL 34234

This ad is not an offering. An offering can only be made by a prospectus filed with the Dept. of Law of the state of New York. Such filing does not constitute approval by the Dept. of Law

Directory Of Lending Sources

Here are banks and lending institutions that offer financing for entrepreneurs interested in buying a franchise.

AT&T Capital Corp., 2 Gate Hall Drive, Parsippany, N.J. 07054; (201) 397-3000. Fax: (201) 397-3221. Contacts: (East Coast) Coralie Miller, (201) 606-5088; (West Coast) Jeff Mullins, (303) 930-9504.

Business Loan Center, Inc., 919 Third Ave., 17th Floor, New York, N.Y. 10022; (212) 751-5626. Fax: (212) 751-9345. Contact: Donald Krause, vice president.

Captec Financial Group, Inc., 24 Frank Lloyd Wright Drive, Lobby L, Fourth Floor, P.O. Box 544, Ann Arbor, Mich. 48106; (313) 994-5505. Fax: (313) 994-1376. Contact: Kim Nussbaum, marketing coordinator.

CNL Investment Co., 400 E. South St., Suite 500, Orlando, Fla. 32801; 1-800-522-3863. Fax: (407) 423-2894. Contact: Donna Ivins, director of marketing.

Emergent Business Capital, Inc., 121 West Dewey, Suite 210, Wichita, Kan. 67202; (316) 263-1001. Fax: (316) 263-1771. Contact: Brad Cooper, executive vice president.

Firstar Bank-Sheboygan, P.O. Box 328, Sheboygan, Wis. 53081; (414) 459-6000. Fax: (414) 459-6927. Contact: Bruce Lammers, vice president.

Franchise Mortgage Acceptance Co., 600 Steamboat Road, Greenwich, Conn. 06830-7149; (203) 622-5688. Fax: (203) 629-2137. Contact: Buz Knyal, president.

Guardian State Bank, 142 E. 200 South, Salt Lake City, Utah 84111; (801) 531-3400. Fax: (801) 355-4221. Contact: Conway Hansen, director, Small Business Administration (SBA) loan program.

Heller Financial, Inc., 900 Circle 75 Parkway, Suite 1600, Atlanta, Ga. 30339; (404) 980-6220. Fax: (404) 980-6090. Contact: Mark Amoroso, vice president.

ITT Small Business Finance Corp., 635 Maryville Center Drive, St. Louis, Mo. 63141-5832; (314) 542-0535. Fax:(314) 579-8320. Contact: Jerry Sullivan, senior vice president.

MetLife Capital Corp., 10900 N.E. Fourth St., Suite 500, Bellevue, Wash. 98004-5853; (206) 646-5332. Fax: (206) 451-2776. Contact: Craig Valchelli, senior vice president.

The Money Store Investment Corp., 601 University Ave., Suite 150, Sacramento, Calif. 95825; (916) 565-6200. Fax: (916) 568-1254. Contact: Rick Combs, sales manager.

National Cooperative Bank (NCB), 1401 Eye Street, N.W., Suite 700, Washington, D.C. 20005; (202) 336-7700. Fax: (202) 336-7622. Contact: Stanley Dryer, vice president.

NationsBank, Franchise Banking Department, 600 Peachtree St., N.E., 19th Floor, Atlanta, Ga. 30308; (404) 607-5833. Fax: (404) 607-4075. Contact: Craig Willis, senior vice president.

Phoenix Leasing, Inc., 2401 Kerner Blvd., San Rafael, Calif. 94901; (415) 485-4500. Fax: (415) 258-0903. Contact: Cal Rothman, vice president.

PMC Capital, Presidential Circle, 4000 Hollywood Blvd., Suite 435 S., Hollywood, Fla. 33021-6754; (305) 966-8868. Fax: (305) 966-3614. Contact: Rosarin Mahavirunh, vice president.

Sanwa Business Credit Corp., One S. Wacker Drive, Suite 3900, Chicago, Ill. 60606; (312) 853-8964. Fax: (312) 853-2632. Contact: Craig Schnur, vice president.

Stephens Franchise Finance, 120 Main St., Second Floor, North Little Rock, Ark. 72114; (501) 374-6036. Fax: (501) 374-7316. Contact: Scott Hastings, senior vice president.

Virginia Beach Federal Savings Bank, P.O. Box 848, Virginia Beach, Va. 23451; (804) 428-9331. Fax: (804) 425-8573. Contact: Frank Bridges, assistant vice president.

Our Business Is One BIG Mistake

So why would you want to be part of it? Because mistakes have made us the 120th fastest growing company in America. We will train you to duplicate our success by recovering big refunds and savings for businesses due to mistakes in their lease payments, freight bills, utility, telephone and cellular bills, and other overhead expenses. Your fee is 50% of everything you uncover. Perfect PT or FT home business. Clients are everywhere. No exper. req. Under $7000 start-up.
FREE INFORMATION KIT

1-800-962-0177
Combined Resource Technology, Inc.

Earn $4,000 Per Month From Your Home With A Computer!



FREE CBSI 486 Computer

Begin part-time and still retain the security of your present position. This is a proven turnkey business an individual or couple can run. If you purchase our software and business program, we will give you the computer and printer. If you already own a computer, you may receive a discount. You do not need to own, or know how to run, a computer — we will provide free, home office training. Financing available.

Find out how other couples, and individuals like yourself, are building a lifetime income!

To receive your free cassettes and color literature, call toll-free:

1-800-343-8014, ext. 32

(in Indiana: 317-758-4415) *Or Write:*

Computer Business Services, Inc., CBSI Plaza, Ste. 32, Sheridan, Indiana 46069

business plan. "I had all the numbers nailed down as tightly as I could," he says. Costs, projected sales, volume, profitability, and a timetable for loan payments were included in the business plan.

Kistner expected the loans to be tied to the store fixtures and inventory. What surprised him was that the loan officer wanted him and his wife to be personally liable for the loans. "The bankers thought that would make us more motivated to succeed," he says, "and they were right."



PHOTO: ISAAC OMARCO—BLACK STAR

Franchisee trainee *Gerry Fox with AAMCO's director of corporate training, Patricia B. Miller, at a Pennsylvania shop.*

While unwilling to release gross sales figures, Kistner says the business has beaten the sales projections. "In our banker's eyes, we proved we knew what the heck we were talking about," says Kistner, "and it will add credibility to our second-store projections."

Equity Financing

Once viewed as the least preferable way to obtain entry into franchise ownership—because of the necessity of relinquishing a portion of ownership—equity financing is gaining ground as a creative financing tool among franchisees intent on owning more than one location.

The formula varies, but most franchisees using this financing method choose to issue stock as their primary fund-raising vehicle.

Other kinds of equity financing, along with other information on raising capital, are defined in the brochure *Steps to Small Business Financing*, published by the American

The Great Escape!

Break out of corporate life and into the freedom of a Todays Temporary franchise! We're a positive force at work in the nation's third fastest growing service industry. Believe in yourself? Thrive on a challenge? Seek Success? Call Janis Domino at 1-800-822-7868.
Investment required.

TODAYS TEMPORARY

We won't let you down!



Circle No. 11 on Reader Service Card

With 178 million cars on the road, there's definitely a need for more Precision Tune franchises.

Precision Tune

The auto maintenance market is a multi-billion dollar industry. And you can tap into it as the owner of a Precision Tune franchise – even if you don't have any automotive experience.

Our national staff will help you with site selection, employee recruiting, technical and managerial training, advertising and marketing, and ongoing operations.

An approximate investment of $140,900 to $186,400 is required and master franchise opportunities are available.

For more information, call 1-800-231-0588 today. And put yourself in the driver's seat.

Precision Tune, Inc. P.O. Box 5000 Leesburg, VA 22075

MEMBER

A World Of Opportunity



Awaits

There is a world of opportunity waiting for you at Jani-King. Jani-King is the largest commercial cleaning franchisor in the world and is backed with twenty-five years of experience. Jani-King provides professional training, start-up contracts, equipment leasing, insurance and much more. Franchise opportunities range from $6,500 to $14,000 +, depending on area purchased. Call now and join the best in the business.

Jani-King

(800) 552-5264

© Jani-King International, Inc. 1994

Circle No. 8 on Reader Service Card

Franchising SPECIAL GUIDE

Bankers Association, in Washington, D.C. They include common stock issued to friends, relatives, and other investors; preferred stock, which represents ownership in the business and requires that its holders be repaid first if the business should go bankrupt; convertible debentures, which are bonds that may be converted into common stock before being repaid to holders; and debt warrants, which allow holders to buy a company's stock even after the debt has been repaid.



PHOTO: JIM HESHUTHA

Kitchen remodelers *Suzie and Brian Crowley purchased a Kitchen Solvers franchise in Cedar Rapids, Iowa, after the company's founder co-signed a loan.*

Tom Grahek, a franchisee with Erbert & Gerbert Subs & Clubs in Fargo, N.D., and Duluth, Minn., says he believes in creating his own financial strategy "instead of relying on the traditional banking route." Erbert & Gerbert Subs & Clubs, based in Eau Claire, Wis., offers made-to-order cold sandwiches. There are seven franchised locations, and 25 are scheduled to open in 1995.

The company name is based on characters in bedtime stories that founder David Schippers told to his 10 children. Says Grahek, "I found a business opportunity that I thought was going to be successful, and I wanted to do whatever I had to do to get into it."

Grahek financed his first two stores by selling stock to family members. He needed $100,000 per store to open. "I thought about going to a bank, but I figured I could offer a higher rate of return than the stock market or similar investments, where the rate of return was moderate."

Grahek set up the investment structure as loans with the interest payment due the first month and payments on the principal being optional for the first six months. "The stores have been so successful that I was able to pay both interest and principal payments to the investors within the second month of operation," he says.

Grahek plans to open a new location in the Minneapolis-St. Paul area this year under a similar investment structure, but this time the store would be funded by an investor outside Grahek's family. The resulting financing package would work this way: The investor is issued stock and will own the franchise on paper; Grahek maintains day-to-day management control, and he is paid a percentage of the profits of the business.

"A percentage of the profits I receive each year will be in stock," Grahek says, "so that is how, over time, I acquire equity and ownership in the business."

Grahek had his accountant and lawyer draw up the needed documents after making sure that both individuals had experience in setting up these kinds of deals. "I first set up a theory with the investor on how we would like the business relationship to work," says Grahek. "Then I work out the numbers with my accountant." NB

Earn The Living You've Dreamed Of... Right In Your Own Dream House!

Live in a stunning Eagle's Nest home with design features not found elsewhere at twice the price.

Models as low as $17 per sq. ft.



Earn $5,000 to $15,000 per home...

- Quality
- Design Flexibility
- Keep Present Employment

All you need to get started is a $5000 house deposit for your own business or private use.

For a FREE full color brochure:
Call Mr. Nations at 1-800-579-1079 (24 hrs.)
Fax: (404) 720-7605, or write:
Eagle's Nest Homes, Inc.
205 Eagles's Nest Drive
Canton, GA 30114-7972

Circle No. 31 on Reader Service Card

FRANCHISE PUBLICATIONS

- *The Executives' Guide to Franchise Opportunities*
- *The Food Service Franchise Opportunities Guide*
- *The Directory of Franchise Attorneys*

If you are thinking about buying or starting a franchise, these publications are a must. Receive detailed company profiles on over 100 expanding franchise systems with franchise evaluation tips, financing options, business plan preparations and legal references.

Order now and receive all three publications for only $16.00 ($26.00 value) plus $3.00 for two day priority mailing. To order by **VISA or M/C, call 1-800-289-4232,** fax info to 1-408-997-9377 or send check or money order to:

Franchise UPDATE Publications
P.O. Box 20547
San Jose, CA 95160-0547



"With Mail Boxes Etc., we've built a solid future for our business and our family."

Doug and Nanette Reetz, Owners
Mail Boxes Etc. #174, 352, 2374
Seattle, Washington

We're really glad we made the decision to grow with MBE. The support we get from our Area Office and MBE Headquarters makes all the difference. We've been with MBE about ten years and we like the direction we're heading.

Start building your future with Mail Boxes Etc. today. Call 1-800-456-0414 for more information on franchising opportunities in the U.S. and internationally. In Canada call 1-800-661-MBEC.

MBE MAIL BOXES ETC.

IT'S NOT WHAT WE DO. IT'S HOW WE DO IT.

Each Mail Boxes Etc. Center is an independently owned and operated franchisee. ©1995 Mail Boxes Etc.

Circle No. 12 on Reader Service Card

ADVERTISMENT

FUTURE FAX

Try This New Information Delivery System, RIGHT NOW

You're talking with your customer, answering questions and describing your products. He wants to see some printed information. You scribble his name and address on an envelope, and put a brochure in the mail. A few days later, you remember the client, fumble for the address and your tickler file reminds you to call back and follow up.

"What do you think of my products? Did you get my brochure?" "No."

He never got it. It got lost in the mail, it came to the wrong office. He thought it was junk mail and trashed it. Maybe you forgot to send it. It doesn't matter what excuse you use, the fact is that you lost a sale. In the age of fax and e-mail, you might as well use courier pigeons as the post office. Yet mailing printed material is business as usual for most business owners.

What about fax technology? If the client asks for printed information, you take his fax number, drop papers in the fax hopper, and he gets your material right away. That's better, but it's still old-fashioned.

There is a smarter way to get information to prospects. Consider this: You give your client your special phone number. The system asks what information he wants and requests his fax number. He keys in his fax number and hangs up. A few seconds later the prospect gets your printed information along with a menu of additional options. The menu can say "Extension 101 is a product price list. Extension 102 has information on our financing plan. Extension 103 is the specifications on our deluxe model." The customer then calls back for more details Right Now. Your customers can get the information they want, right now, right in their fax machine, or the fax machine of their boss. And it happens NOW. That's how MarketFax delivers information.

A New Technology

MarketFax is a new technology from Alternative Technology Corporation, Hastings-on-Hudson, N.Y. It combines new computer technology with voice cards, fax boards, and easy to use software to create a whole new type of information system. It's a better way to deliver information. It is instantaneous. It responds to the client when they are interested. It gives your clients exactly what you want them to see. It's an entirely new service and it can work for you. It's easy for your clients to use, and changes how you get information into the hands of people who want it.

To compete in today's rapidly changing global markets, savvy business owners use new technology to improve channels with clients.

Here's an example: The Boston Computer Exchange, took all the documents they normally mailed to their clients and put them into the MarketFax system. They have price sheets, news items, hot products, policy statements, listings forms, nine-year price comparisons, order forms, and everything else. It's all available to any client anywhere in the world who has a fax machine. Americas Trading Company in New York uses MarketFax to list auctions and inventory liquidations in a timely fashion. Everything they have in writing is available to all clients; anytime; to any fax machine.

The Complete Package

OK, so it delivers information right now. It must be hard. NO. The best part of MarketFax is that it is as easy for the owner to use as it is for the customer. The system is delivered as a complete package based on a personal computer, with a scanner, some specialized computer boards and amazing software. All you do is plug it in, scan in your documents and begin telling people how to get it. That's it. It's easy.

Now when a client asks for more information on your products, you answer, "Give me a fax number and you'll have it right now." Your customer can take care of their own information. Anytime. To Any fax machine. When they are HOT. You can also get prospects' phone numbers for your sales people to contact.

MarketFax has enough extra capacity that you can lease extra extensions to friends and other businesses to help defray costs. MarketFax can store codes for up to 1,000 separate multipage documents.

Savvy business owners are finding hundreds of new uses for this kind of fax response technology. MarketFax can be a business in itself. You could connect it to a 900 phone line and sell information on your own or other people's products.

Try it. Right Now. Call 914-478-5906. Try Extension 606 for The Boston Computer Exchange. Ask for Extension 614 for Americas Trading Company as an example. If you want more information on MarketFax, punch in Extension 727.



President & Founder Tom Kadala says "Savvy business owners are finding hundreds of new uses for this kind of fax response technology."

Alternative Technology Corporation

One North Street • P.O. Box 357 • Hastings-on-Hudson, NY 10706

Tel: (914) 478-5900 • Fax: (914) 478-5908

ATC

Take Charge of Your Business and Boost Your Sales and Profits!



VHS only. Running time 45 minutes. Includes companion audiocassette and workbook.

$99.95
plus $6.00 s/h

Help Your Employees Give the Service That Customers Respond and Return to

THE POWER OF CUSTOMER SERVICE

Let famed Customer Service expert, Dr. Paul Timm, give you the inside track on the do's and don'ts of dealing with customer service (skills that benefit the customer *and* the employee!). This "how-to-do-it" program details:

•The three C's of customer service success... Concern, Communication, and Competence. •Why customers become dissatisfied and how you can turn them around. •How to deal with customers courteously and successfully even when you're under pressure.

This program can be the key to building successful, repeat business. Improve the power of *your* customer service!

Write the Business Plan That Will Jump Start Your Company

BIZPLAN*BUILDER*

Your business plan is the key to (1) staying in touch with your potential risks and rewards, and (2) convincing investors to fork over needed capital. *BizPlan Builder* practically does it *all* for you with more than 90 pages of typed and formatted word processing and spreadsheet files...as well as headlines, sentences, paragraphs, tables, and lists to help you produce your *perfect* business plan.



BizPlanBuilder will help you save valuable time, structure your thinking, and get you the dollars you need...and it will help no matter if this is your first business plan or your tenth. No mistakes. No consulting bills. No hassle.

126-page reference guide and computer disk (DOS 5-1/4, 3-1/2, MAC) Regularly $129.00

Your Price Only

$99.00
plus $6.00 s/h

Proven Techniques For Getting Results Through Others

HOW TO SUPERVISE PEOPLE



Build leadership skills–including team building, delegation, and coping with conflict–that will make you the supervisor you need to be. This unique course is based on the bestselling book, *The Supervisor's Handbook.*

VHS only. Running time 42 minutes. Includes companion audiocassette and Supervisor's Handbook.

$99.95
plus $6.00 s/h

Add New Sales. . . . Right Away!

38 PROVEN WAYS TO CLOSE THAT SALE!



VHS only. Running time 87 minutes.

$79.95
plus $6.00 s/h

Some people can grab a customer's interest...but come up short when it's time to close. This information-packed video will help you read your prospects, pinpoint their needs–sometimes before they know them–and close transactions confidently. Overcome every objection whether you're on the retail floor, the road, or a high-rise office. Learn how to land the big ones!

Create P.R. Like a Pro...Without the Cost of Using an Agency

PUBLICITY*BUILDER*

Get your sales-building, image-boosting story into magazines, journals, newspapers, radio, and television. Developed by a public relations agency president, *PublicityBuilder* will put your name into the hands of your potential buyers quickly and inexpensively.



Computer disk (DOS 5-1/4, 3-1/2, MAC) Regularly $129.00

Your Price Only

$99.00
plus $6.00 s/h

Turn Every Customer Into a Lifelong Client

50 WAYS TO KEEP YOUR CUSTOMERS



Proven techniques to help owners, managers, salespeople, telemarketers, office staff –everyone!–make customers want to come back for more. This easy viewing program also helps turn employees into better employees!

VHS only. Running time 45 minutes. Includes companion audiocassette and workbook.

$99.95
plus $6.00 s/h

ORDER NOW! CALL TOLL-FREE 1-800-458-9922

400 Letters That Resolve Disputes, Express Opinions, Say Thank You, Mend Fences, Offer Congratulations, Gain Cooperation...and More!

New! All software is available for WINDOWS!

ORDER NOW! CALL TOLL-FREE 1-800-458-9922

PERSONAL LETTERWORKS



New! Just Published

If you've ever struggled to write a sympathy note to a colleague or friend...if you're tired of dealing with difficult businesses and individuals...if you've ever wondered how you were going to unravel a payment dispute with an uncaring banker...or how to say "I appreciate you" to a subordinate or "thank you" to a boss...then the all-new PERSONAL LetterWorks is the product you've been waiting for. It shows you how to deal with everything from touchy, feelings-oriented issues to hard-nosed "this-is-the-way- it's-going-to-be" situations...and everything in-between. A sensational collection for your business and personal life.

470-page book (400 letters) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

$79.95
plus $6.00 s/h

LEGAL LETTERWORKS

165 Legal Forms and Agreements



Count the times you've needed a legal form: a will, partnership or corporation papers, brokerage agreement, real estate lease, contract for sale of goods. Now you can save money on legal fees and avoid time-consuming, deal-killing delays. Just call up the form you want on your computer, fill in the blanks, and print out a completed form.

452-page book (165 legal forms) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

$79.95
plus $6.00 s/h

SALES LETTERWORKS

300 Expert Letters That Generate Sales and Profits



No matter what your business is or who you're trying to convince, SALES LetterWorks has the *perfect* letter for virtually every selling situation. Call up custom crafted letters on your computer that cover every aspect of selling: creating repeat business, door openers, lead generaters, customer relations, responses to objections, collections.

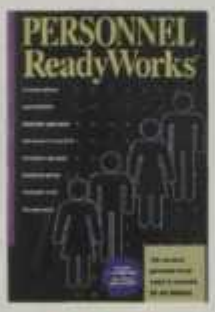
572-page book (308 letters) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

$79.95
plus $6.00 s/h

Works With ALL IBM Compatible And Macintosh Word Processors

PERSONNEL READYWORKS

160 Customizable Documents That Help Your Company Run Smoothly and Avoid Mistakes



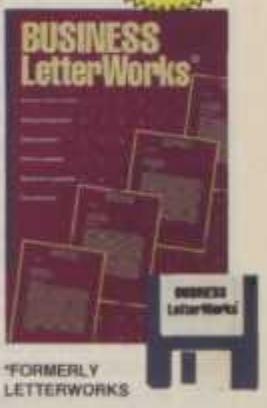
For a fraction of the cost of creating your own documents, you can protect your company in sensitive personnel areas, including hiring and termination, performance appraisal and discipline, health and safety, government regulations and procedures, sexual harassment, wages and benefits. Be ready for everything!

370-page book (160 documents) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

$119.95
plus $6.00 s/h

BUSINESS LETTERWORKS*

400 Professionally Written Letters to Cover All Areas of Your Business



If you've ever struggled to tell an employee you're unhappy with his performance, apologize for an employee's rudeness, make an inquiry to a venture capital firm, or any number of other situations...then BUSINESS LetterWorks will simplify your life! You can call up letters from advertising, to dealing with suppliers, to internal communications.

470-page book (400 letters) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

$79.95
plus $6.00 s/h

*FORMERLY LETTERWORKS

NationsBusiness Order Form

Send to: Circulation Dept., 1615 H St., N.W., Washington D.C. 20062-2013

ORDER TOLL-FREE **1-800-458-9922**
OR FAX **1-202-463-5641**

Method of Payment

- ☐ Check or money order enclosed
- ☐ Bill my credit card
- ☐ VISA ☐ MasterCard ☐ American Express

Card # _____
Exp. Date _____
Signature _____
Name _____
Company _____
Address _____
City _____
State _____ ZIP _____

QTY	NAME OF PRODUCT		UNIT PRICE	S/H COST	TOTAL PRICE
	The Power of Customer Service		$99.95	$6.00	
	How To Supervise People		$99.95	$6.00	
	50 Ways to Keep Your Customers		$99.95	$6.00	
	38 Proven Ways to Close That Sale		$79.95	$6.00	
	BizPlanBuilder	☐ DOS 5-1/2 ☐ 5-1/4 ☐ Mac	$99.00	$6.00	
	PublicityBuilder	☐ DOS 5-1/2 ☐ 5-1/4 ☐ Mac	$99.00	$6.00	
	LETTERWORKS/READYWORKS SOFTWARE:				
	Personal	☐ DOS 5-1/4, ☐ 3-1/2 ☐ Windows 3-1/2 ☐ Mac	$79.95	$6.00	
	Personnel	☐ DOS 5-1/4, ☐ 3-1/2 ☐ Windows 3-1/2 ☐ Mac	$119.95	$6.00	
	Legal	☐ DOS 5-1/4, ☐ 3-1/2 ☐ Windows 3-1/2 ☐ Mac	$79.95	$6.00	
	Sales	☐ DOS 5-1/4, ☐ 3-1/2 ☐ Windows 3-1/2 ☐ Mac	$79.95	$6.00	
	Business	☐ DOS 5-1/4, ☐ 3-1/2 ☐ Windows 3-1/2 ☐ Mac	$79.95	$6.00	
		CA & D.C. SALES TAX			
		SHIPPING			
		TOTAL			

Orders Outside the U.S.A. and Canada add $25.00 per product for shipping/handling.

Your Order Is 100% SATISFACTION GUARANTEED or Your Money Back

NB0496

Small Business Financial Adviser

Scrutinizing returns by industry segment; arbitrating investment disagreements; shedding light on electric-utility stocks.

New IRS Audits Mean Business

By Mary Rowland

This year the Internal Revenue Service initiates a sweeping revision in the way it targets tax returns for audit and in its method of examining them.

Although the spotlight will not be intentionally focused on small-business owners, they will bear the brunt of the change in audit techniques, says Seymour Goldberg, a former IRS agent who is now a tax attorney in Garden City, N.Y.

"Agents will be trained in a lot of investigative techniques," he says. "They're going to have unmarked cars and trail people to see how they live and what kind of lifestyle they have."

The IRS initiative involves two separate but related programs, both of which will begin in October. The broader program, called Market Segment Specialization, is a new method of training auditors who will specialize in particular industry segments. This program, which began as a test on the West Coast in 1986, is an effort to identify methods of underreporting income or overreporting expenses within particular industry groups, according to Wilson Fadely, an IRS spokesman.

Rather than send generalists to do audits, the IRS plans to train industry specialists in what to look for in businesses such as bed-and-breakfasts, gasoline retailing, trucking, taxicab driving, entertainment, and law offices.

Eleven guides—including the six specialties just mentioned—have already been published. More than 60 additional guides are in the works, Fadely says. They include such businesses as liquor stores and pizza parlors and the fishing, garment, travel, banking, and child-care industries, he says. There will eventually be 100 guides.

Although Fadely emphasizes that the IRS is not targeting these industries, the effect will be far-reaching. "This is the largest and most diversified audit program ever undertaken," says Goldberg, the tax attorney. "They're going to hit pay dirt big time. A lot of people are going to get caught, and a lot of them are going to go to jail."

Goldberg, who has been analyzing the IRS guides and condensing them into guidelines for accountants and tax attorneys, says they represent "a complete change from the way the IRS has been doing audits for more than 30 years." Auditors "used to look at a retailer's deposits and expenses, and that was the end of it," Goldberg says, but under this new program, "they will be looking more at the economics of the person" — his or her lifestyle, type of car, value of other assets.

If a business owner reports insignificant income yet lives extravagantly, the agent will dig out any presumably unreported income. "There may be a valid explanation, like you inherited it," Fadely says. "But if you didn't, you'll have to explain where it came from."



ILLUSTRATION: GEORGIA MCDONALD

The second program, also scheduled for an October launch, is the Taxpayer Compliance Measurement Program. From time to time, the IRS selects a handful of returns and asks those taxpayers to prove the accuracy of every single item. The IRS considers this a research effort to discover what types of items certain categories of taxpayers are likely to exaggerate or conceal.

The information gathered from these audits is used to produce a "statistical sample" to provide details of how Americans file their taxes. "We use the information to come up with a formula against which all other returns are measured," says Henry Holmes, an IRS spokesman. The last such sample was done in 1988.

The IRS will choose 153,000 1994 returns, 12,500 of which will be from partnerships, 12,500 from S corporations, and 36,000 from C corporations. The remaining 92,000 will be individual returns, Fadely says, and of that group, 33,000 will be non-business returns. The other 59,000 will be individuals who file a Schedule C for self-employment income or a Schedule F for farm income.

The IRS will begin the program in October, Goldberg says, because the agency wants to wait for returns filed under extensions to Aug. 15 or later. The agency will then spend the next 30 months examining the selected returns.

One new element in this year's sampling, says Fadely, will be the categorizing of returns into 28 market segments such as retail, food-and-beverage, and services. That segmentation is designed to help the IRS develop a scoring system for each industry. The secret scoring system is fed into computers for future determinations

of which returns will be audited.

Each return is assigned points based on income, credits, and deductions — "a mystical and highly secret system," says Laurence I. Foster, a tax partner at KPMG Peat Marwick in New York.

The IRS maintains that the higher the score, the greater the possibility that the taxpayer paid too little in taxes. "So, not surprisingly, we select the highest-scoring returns to audit," says Don Roberts, another IRS spokesman. Once the new sampling is complete, the computers will have a set of industry-related scores.

Even before that is done, though, IRS auditors will begin their new, industry-specific audits. The audit program's main thrust is to turn up unreported income. The new guides will help auditors learn the most likely places for business owners in each industry to hide income. For example, the guide for gasoline retailing points out that repair work is an easy place to collect unreported cash, Goldberg says.

An agent who is assigned to audit a gasoline retailer will first drive by the station at various times of the day to find out its operating hours and the number of its employees. The auditor then "may do a motor-vehicle check to see the kind of cars the owner drives, take a look at his home, and do a search to see whether he owns a boat," Goldberg says.

"They're very interested in repair work," Goldberg says. "They also want to see how much the retailer marks up supplies. And they will try to estimate income from concessions like minimarts."

By the time the service-station owner is advised that he will be audited, the IRS will have compiled a thick file on his business. "They'll come in with a big questionnaire, but the agent will have all the answers," Goldberg says. And if the IRS agent then asks the station owner about business hours and number of employees "and he doesn't give the right answers, that will be a big tip-off."

Goldberg has also completed an analysis of the IRS guide on lawyers. "The big concern here is that certain attorneys have cash income coming in that they're not reporting," he says. The agency will look at immigration lawyers and criminal lawyers in particular, he says. And he adds that personal-injury lawyers could be subjects of inquiry because they may advance money to clients and deduct the amounts as expenses. "These are not deductible expenses," he explains. "They are loans."

The IRS is helping Goldberg with his analyses of the new guidelines because the agency is eager for publicity on the new program, he says. "The IRS is not making a secret of this. They want me to give the public and the accounting profession the word on what is going on out there because they feel that will enhance compliance." ■

INVESTING

When You Can't Sue, You Can Still Settle

If you played the bond market last year or took a bath on stocks, then you've joined the ranks of thousands of investors who saw their portfolios slump in 1994. And, like most, you probably have no one to blame but yourself—and Federal Reserve Board Chairman Alan Greenspan.

But suppose, when you bought Amalgamated Widget at $58 a share, you signed an agreement with your broker requiring that the stock be sold immediately when it slumped to $48—and suppose your broker never called you until your stock bottomed out at $28?

Can you fight your broker? Always. Can you sue? In many instances, not anymore.



ILLUSTRATION: GEORGIA MCDONALD

First, find the documents you signed when you opened your brokerage account. If you opened that account after 1987, you'll probably have to arbitrate your case out of court. That year, the U.S. Supreme Court's *Shearson vs. McMahon* ruling allowed brokerages to require stock investors to sign an agreement to arbitrate account disputes rather than settle them in court. (If you opened your account before 1987, your account documents may give you the right to go to court.)

Here are questions you should ask about the arbitration process:

■ **How steep must my losses be to make it worth my while to pursue arbitration?**

Deborah Masucci, vice president of arbitration at the National Association of Securities Dealers, which handles more than 80 percent of arbitration cases involving investment disputes in the U.S., notes that an investor can go to arbitration for any amount.

For assertions of losses under $10,000, however, the NASD lets investors choose arbitration settled by mail (which takes about five months) or through an in-person hearing in any of 46 cities served by traveling or locally based arbitrators chosen by the NASD. It takes 10 months from the filing date until a hearing is held.

Filing fees range from $15 for a case under $1,000 to $300 for cases with more than $5 million in question.

■ **Who arbitrates?**

Typically, the brokerage picks the arbitrator, although the account agreement may stipulate that the arbitrator be chosen by one of the major exchanges or the NASD. The NASD handles most cases. The arbitrators it chooses must have no affiliation with the NASD. They may be lawyers, educators, or securities-industry employees.

■ **Should I hire a lawyer?**

The NASD's Masucci says many people hire lawyers to advise them on documentation and strategy. Lawyers can speak for their clients at hearings. If your own attorney can't represent you in this matter, check with the local bar association, which lists lawyers according to specialty.

An attorney should help you identify and retrieve documents that you will need before the hearing and should help you get pertinent evidence from the other side. This is why some investors with a lot to lose keep an attorney throughout the process, says Ted Eppenstein, a New York attorney who specializes in investor arbitration. Eppenstein, who argued the 1987 Shearson case for the investors, says brokerages today "have the customer at their mercy."

■ **What can I do to avoid this whole nightmare?**

"I advise clients to write out their investment objectives and make sure they are read and understood by the broker and the branch manager," Masucci says. "And the investor should get a receipt or signed copy from his or her brokerage proving that fact."

Masucci says investors should go a step further by doing their homework on the disciplinary history of their brokers. Since brokers are registered with each state's securities office, such items as lawsuits and fines are listed publicly.

Bottom line? Says Masucci: "If a dispute arises, don't let it fester. Go to the broker right away. An investor shouldn't be shy about going over the broker's head to the supervisor to start building a case."

—*Lisa Holton*

The author is personal-finance writer for the Chicago Sun-Times.

TAXES

Home Office: Now You Deduct It, Now You Don't

Home offices make great tax deductions. But they have a downside when you sell your residence and attempt to roll over the proceeds tax-free into the purchase of a new home.

The increase in the value of the part of the house used as an office is taxable, while the gain on the rest of the house generally goes untaxed—provided you buy another residence of equal or greater value within two years of the sale.

For example, if your office occupied 20 percent of your residence and you sold the residence for $200,000, then 20 percent of the sale proceeds—$40,000—would be allocated to the home office. If your adjusted basis in the home office (after reduction for depreciation taken over the years) is $3,000, your taxable gain on the home office would be $37,000, which cannot be rolled over tax-free. For most individuals, federal and state taxes on that gain would be well over $10,000.

If properly planned, however, the taxes could have been avoided. The Internal Revenue Service looks to the use of the property at the time of the sale in testing whether any portion of the house was used for business. Thus, if you converted the office to personal use in 1994, the sale of the entire house would qualify as a personal residence, and the entire proceeds could be rolled over tax-free.



ILLUSTRATION: GEORGIA MCDONALD

Converting an office to personal use is fairly simple. You don't have to dismantle it. Just use it for personal as well as business purposes. Add a sleep sofa to make it a guest room, or load the computer with games for your children. You can still use it as a part-time office—as long as it is also used for nonbusiness purposes.

Proper timing can help you take full advantage of this strategy. Since usage at the time of sale determines tax status, if you converted the office to personal use in January of 1995 and sold in February, you would still qualify for the full home-office deduction for 1994 while getting the advantage of a tax-free rollover for 1995.

Clearly, proper planning can be critical when selling a personal residence with a home office.

—Albert B. Ellentuck

BANKING

Check-Printing Techniques Combat Counterfeiting

Check counterfeiting is on the rise, costing merchants and banks millions of dollars annually. Now the companies that print personal checks have decided to fight back by adopting new check-design features aimed at preventing the copying of authentic checks to produce counterfeits.

The voluntary guidelines for the new check features were adopted in October by the Financial Stationers Association (FSA), a trade group representing the leading check printers in the United States and Canada. Most major check printers are beginning to follow the guidelines, which call for two new features:



■ **The microprinting of tiny words or letters either on the signature line or on the check border, known as the security border.**

At first glance, the microprinted words or letters appear to be a solid line. Though they can be read with magnification, they cannot be reproduced by photocopying machines. And laser printers cannot produce microprinting. The guidelines recommend that the microprinted material contain the name of the check printer and that a legible "MP" be placed next to the microprinting to signal its use and location.

■ **The placing of a padlock icon to the right of the word "dollars."**

The icon indicates that the check contains security features recommended by the Financial Stationers Association, such as microprinting on the front, or a difficult-to-duplicate security screen—white lettering on a lightly shaded background—on the back.

Under the new design recommendations, a padlock icon could also be placed on the back of each check, in a rectangular box that would list the check's security features and contain a warning such as, "Absence of these features may indicate alteration." Thus, if a check were presented with such a warning on the back but none of the listed features on the front, the person receiving it should question its authenticity.

Check counterfeiting has increased because sophisticated technology—computer scanning, laser printing, and photocopying—has made it easier to produce counterfeit checks, according to banking experts. Recent surveys by the American Bankers Association show that from 1991 to 1993, check-fraud cases, including counterfeiting, increased 136 percent.

Business owners actually pay twice for bad checks. They first must absorb the face value of the bad check, and then they have to pay a fee charged by banks for counterfeit checks that are accepted, says Bruce Brett, chairman of the American Bankers Association's check-fraud task force and a senior vice president of Signet Bank in Vienna, Va.

Banks incur losses when they accept counterfeit checks and provide criminals with cash. The American Bankers Association survey found check fraud cost banks $815 million in 1993, up from $568 million in 1991.

Earl Rogers, chairman of the Financial Stationers Association's security-fraud task force and executive vice president of John H. Harland Co., a check-printing firm in Atlanta, says the new features alone will not guarantee that a check is valid, but they will be a major deterrent to anyone contemplating the counterfeiting of checks.

—Joan C. Szabo

INVESTING

Utility Stocks: Bargain Hunters Should Beware

By Randy Myers

Utility stocks may look like bargains today, but separating the good from the bad could be trickier than investors have come to expect from this once-docile sector of the stock market.

From September 1993 to the end of 1994, the Standard and Poor's index of electric utilities fell 25 percent. At almost any other time in history, a decline of that magnitude would have sent a screaming "buy" signal to investors everywhere on the theory that the shares couldn't possibly fall much lower.

Today the message is more complicated. Yes, the dividends on many of these issues now provide yields in the range of 5 to 8 percent. Some Wall Street pros think these stocks could produce healthy returns in 1995 if interest rates decline or merely stabilize near their current levels. That should allow stock prices to stay where they are or even edge up a bit.

But a number of analysts argue that deregulation and increasing competition in the utility industry will keep many of these stocks from enjoying a broad resurgence.

"The industry is simply not what it used to be," says Prudential Securities analyst Barry Abramson, recently named the top electric-utility analyst in the country by *Institutional Investor* magazine. "The fundamental restructuring of this business is going to permanently increase the risk levels of utility stocks."

Gone or disappearing, say Abramson and like-minded analysts, is the utility industry our parents and grandparents knew, when the local electric company enjoyed a regional monopoly and paid stock dividends that were virtually guaranteed. In that environment, investors bought utilities to capture the steady income from those dividends, not because they thought the stocks were going to go up or down very much.

To be fair, last year's decline in utility-stock prices had only a little to do with deregulation and competition and much to do with a dramatic 23 percent increase in long-term interest rates.

Higher interest rates hurt utility stocks in two ways. First, they add to utility companies' interest costs because utilities tend to be debt-heavy and capital-intensive. Second, higher rates siphon income-oriented investors away from utility stocks as yields on bonds become more attractive.

Heading into the new year, that was already happening: the average dividend yield on 91 electric-utility stocks tracked by the Legg Mason Wood Walker Inc. brokerage house was 7.2 percent, while medium- and long-term Treasury bonds were yielding about 7.7 percent.

Still, Abramson says, it's a mistake to look only at interest rates for clues to how utility stocks will behave this year. "In the past, after the market declined, you would start looking for good values," he notes. "Now you have to consider whether any of those companies that appear to be good values have the ability to withstand a more competitive business environment."

Deregulation of the electric-utility industry got a jump start in 1992, when the Energy Policy Act gave the Federal Energy Regulatory Commission authority to make transmission-line owners carry power from other generators. While many procedural details are still being worked out, this regulatory change is expected to lead the way for big users of electricity, such as industrial facilities, to begin shopping among different utilities for the cheapest electric rates they can find.

In the face of such radical change, Abramson sees utilities scrambling to reduce costs and become more competitive. In some instances, this may jeopardize the dividend payouts investors have come to expect from them.

Last May, in what was generally recognized as the first move of that sort, FPL Group, a financially healthy Florida utility, cut its dividend by 32 percent to increase its financial flexibility.

Still, Abramson concedes that some high-quality utility stocks were punished too severely in the market's downturn last year. Among those he's most optimistic about are CMS Energy Corp. in the Midwest, Southern Co. in the Southeast, PacifiCorp in the West, and General Public Utilities Corp. in the East. All have the opportunity to increase their earnings and their dividends by at least 3 percent annually over the next five years, he says.

By contrast, he doesn't expect the industry as a whole to post any earnings growth over that period.

For investors willing to do their own homework, Mark Leib, who manages the Regis SAMI Preferred Stock Income Fund, suggests looking for utilities with high credit ratings, low production costs, good transmission facilities, a good regulatory environment, and diversification into nonregulated industries such as independent power production.

Leib's fund invests primarily in utility stocks. Despite adverse market conditions that could have made his fund's 1994 results much worse, he held the fund to a modest loss of 1.65 percent last year (including reinvestment of dividends) through careful stock selection and by hedging against interest rate increases.

Investors without the time or inclination to search out winners on their own may want to consider Leib's fund or some of the 85 other mutual funds tracked by Lipper Analytical Services Inc. that specialize in utility stocks.

While the average utility fund tracked by Lipper fell 8.99 percent last year, including reinvestment of dividends, a handful joined Regis SAMI Preferred in doing better. Among the top performers were the new Lindner Utility fund, down 0.95 percent; and Midwest Strategic Utility A, down 2.02 percent.

The top-performing electric-utility fund over the past 10 years was Prudential Utility B, with an average annualized return of 13.32 percent during that time. Nonetheless, this fund fell 8.51 percent in 1994. Bad luck? Perhaps. Or maybe just another sign that the utility industry isn't what it used to be. NB

UTILITY STOCKS
Performance Of Top 10 Utility Mutual Funds In 1994

Fund Name	Total Return*
Lindner Utility	-0.95
Regis SAMI Preferred Stock Income	-1.65
Midwest Strategic Utility A	-2.02
Midwest Strategic Utility C	-2.59
Strong American Utilities	-2.61
MFS Utilities A	-4.95
Fidelity Utilities	-5.29
MFS Utilities B	-6.01
Liberty Financial Utilities	-6.88
Putnam Utility Growth & Income A	-6.96
S&P Electric Company Index	**-13.35**
S&P 500 Index	**1.28**

*Percentage change in value of shares over one year, with dividends reinvested. Telecommunications funds are not included.

SOURCES: MORNINGSTAR INC., BLOOMBERG BUSINESS NEWS

CHART: GEORGIA MCDONALD

For a reprint of Small Business Financial Adviser, see Page 69. For a fax copy, see Page 28.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

BANKRUPTCY

Search For A Rescue

My business has been failing for several years, and I am considering filing for bankruptcy. I need some basic information about the bankruptcy process.
E.C., Wichita, Kan.

Before you decide that seeking bankruptcy protection from your creditors is the solution to your financial problems, consider contacting a turnaround professional, advises Michele Parisi, director of communications for the American Bankruptcy Institute. Turnaround consultants are trained in helping business owners look at alternatives to bankruptcy. When hiring one, be sure to check references carefully.

Also consider reading *The Art of the Turnaround: How to Rescue Your Troubled Business From Creditors, Predators, and Competitors* (AMACOM), by Matthew L. Shuchman and Jerry S. White. Shuchman and White, both turnaround consultants, suggest ways to reduce personnel costs without reducing staff, negotiate with vendors, and sell a troubled company for the best price. The book can be ordered from the publisher for $24.95; call 1-800-531-7004. Refer to ISBN No. 0-8144-0260-7.

If you conclude that declaring bankruptcy is the best course of action, take heart. "Filing for bankruptcy has lost the strong negative stigma it once carried," Parisi says. Typically, a business owner who files for bankruptcy hires a lawyer trained in that area, she says. Legal fees and other costs vary widely, depending on the size, location, and complexity of the business.



ILLUSTRATIONS: MARTHA WILLOUGHAN

A listing of bankruptcy lawyers and accountants in your area is available from the American Bankruptcy Institute, a nonpartisan, nonprofit organization that conducts research and provides educational materials. Members include 4,800 bankruptcy lawyers, judges, accountants, professors, and turnaround consultants.

Contact the American Bankruptcy Institute at 510 C Street, N.E., Washington, D.C. 20002; (202) 543-1234.

If you decide to file for bankruptcy without an attorney's help, consider reading *The Small Business Bankruptcy Kit*, by Robert L. Davidson III. The book contains general information on business bankruptcy, including types of bankruptcy, terminology, where to go for help, how claims are filed, and what to expect during and after proceedings. There is also a section containing forms to file with the bankruptcy court.

The book, published by John Wiley & Sons, is available in many bookstores and is priced at $12.95.

WORK FORCE

Tips On Temps

During the past year, my pet-grooming business has grown a lot, and I need extra help to keep up with the demand. I am leery of hiring full-time workers in case business drops off. What should I know before hiring temporary workers?
Q.T., Pacific Grove, Calif.
(Similar questions also from I.O., Lincoln, Neb.; E.G., Rochester, N.Y.; and Y.P., Tampa, Fla.)



"When you are growing fast but not fast enough to bring on full-time people, hiring temporary help can be the perfect solution," says Jane Applegate, author of *Succeeding in Small Business* (Penguin Group). The 382-page, $12 book is available at many bookstores.

In Chapter 55, "How Can Temporary Workers Help My Business?," Applegate outlines ways to include temporary workers in your business. Among her recommendations, as adapted from the book:

- Determine exactly what you need temps to do, and estimate the length of the project or time you will need workers.
- Ask other business owners to recommend their favorite temp companies.
- Ask temp companies how they test and screen their workers and whether they will guarantee satisfaction and replace a worker who isn't meeting your expectations.
- Establish the hours you want temps to work, and find out what you will be charged for each temporary worker.
- Make sure you can provide temps with working space, proper equipment, and, if needed, parking arrangements.

The National Association of Temporary and Staffing Services (NATSS), a leading industry trade group, will send you a free copy of the two-page "How to Buy Temporary Help/Staffing Services." Include a stamped, self-addressed envelope with your request.

NATSS has also published *Co-Employment: Employer Liability Issues in Staffing Services Arrangements*, by Edward A. Lenz, the association's legal counsel. It covers the legal rights of employees who work in nontraditional employment relationships, and it outlines the liabilities of business owners who hire temporary workers. The book costs $11.50 prepaid.

To order either publication or for more information, write or call NATSS, 119 S. Saint Asaph St., Alexandria, Va. 22314; (703) 549-6287.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space.

AUTOMOTIVE SERVICES

Keeping It Cool

I operate an auto-repair garage, and I want to begin specializing in air-conditioning repair. Where do I go for training?
G.U., Monroe, La.



The U.S. Environmental Protection Agency (EPA) offers free information on how to become certified—as required under federal clean-air rules—to handle CFC-12 refrigerant in automobile air-conditioning systems. Thirteen EPA-approved organizations offer instruction in becoming a certified technician. The course work includes a self-study segment and a mail-in exam.

One such organization is the Mobile Air Conditioning Society Worldwide, an industry group based in East Greenville, Pa. Its program costs $20 for the first technician from a business and $15 for each additional one. For more information, contact MACS Worldwide at P.O. Box 97, East Greenville, Pa. 18041; (215) 679-2220.

For more information about other EPA-approved programs, call 1-800-296-1996. ■

RECREATION

Getting The Ball Rolling

I need ideas on starting a bowling center.
D.I., Lima, Ohio

The umbrella trade group for the industry, Bowling Headquarters, sells numerous publications and videotapes on subjects such as getting into the business and selecting equipment. Contact Bowling Headquarters, 5301 S. 76th St., Greendale, Wis. 53129; (414) 421-6400.

For a free, state-by-state demographic survey of bowlers, which may help in answering questions from potential lenders, contact the National Bowling Council, 2300 Clarendon Blvd., Suite 1107, Arlington, Va. 22201-3367; (703) 841-1660. ■

WORKPLACE

Vive La Différence

I want help in understanding how and why my male and female employees approach work differently. Is there a book that might be useful?
M.T., Jackson, Miss.

Men & Women At Work (Career Press), by Katherine G. Kearney and Thomas I. White, not only covers this topic but also suggests how to build a more harmonious work force.

"When men and women walk through the office door every morning, they often enter into two completely different—and unrelated—worlds," Kearney says. "Men stride onto a playing field, ready to compete in the day's game. Women walk into the town square of their 'community,' willing to cooperate and work with the people around them."

Chapters on gender-gap issues and gender-related perceptions outline differences between men and women and suggest how to maximize the strengths of both in the areas of leadership, sales, and team building. A section on additional resources is also included.

The book, priced at $14.95, is available at many bookstores or by calling 1-800-995-7373. When ordering by telephone, specify ISBN No. 1-56414-132-2. ■

Nation'sBusiness

The Small Business Resource Guide

What You Need To Know About Starting, Running, and Growing Your Business

Revised and Expanded Edition

From The Editors Of DIRECT LINE

The Small Business Resource Guide

What You Need To Know About Starting, Running, and Growing Your Business



Nation'sBusiness

This updated and expanded edition answers the most frequently asked questions to Direct Line, the popular advice column for small-business owners and managers. The 84-page guide provides the latest how-to information and expert advice on crucial business concerns such as:

- starting a business
- obtaining start-up capital
- complying with government regulations
- managing company benefits
- retailing
- exporting
- selling a business
- franchising
- trademarks/patents/copyrights
- marketing and much, much more.

The new edition of **The Small Business Resource Guide** also features a special section on Quality Management. This easy-to-use resource is ideal for owners and managers of new or established businesses.

Order Today! Only $9.97
plus $2.00 for shipping/handling.

Nation'sBusiness Order Form

Send to: Nation's Business, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062-2000

ORDER TOLL-FREE 1-800-356-7500
OR FAX 1-202-463-5641

Method of Payment
❑ Check enclosed for $11.97. (Includes $2 for shipping/handling)
❑ Please bill my credit card
❑ Visa ❑ MasterCard ❑ American Express

Card No.# _____ Exp. Date _____
Signature _____
Name (Please Type or Print) _____
Company _____
Address _____
City _____
State _____ ZIP _____

NB0495

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Peter Weaver

When To Have That Physical

With so many quick and painless tests available to check for specific medical problems, it's easy to forget about having a comprehensive, head-to-toe physical exam. Indeed, many doctors recommend periodic tests for certain conditions at various times, depending on the patient's age, sex, occupation, and marital status. But most doctors still recommend a full physical at regular intervals.

"A lot depends on individual risk factors and family health history," says Dr. Richard Roberts, associate professor of family medicine and practice at the University of Wisconsin-Madison Medical School.

Roberts says low-risk people should be examined every five years through their 30s, every two to three years in their 40s, every year or two through their 50s, and annually after age 60. Higher-risk patients—such as clear candidates for heart disease, stroke, or cancer—should be checked more frequently, he adds.

Dr. Paula Dewley, who practices internal medicine in Mayfield Heights, Ohio, favors annual checkups for everyone over 50. "So many different things can happen after age 50—osteoporosis in women, prostate cancer in men, heart problems for men and women." And those under 50? "It depends on the person," she says.

According to guidelines published by the American Academy of Family Physicians, a good physical should include not only an examination of your body but also a patient and family history (including diet, exercise, alcohol and tobacco use, and sexual practices). Height, weight, and blood pressure should be monitored regularly.

"Getting accurate height measurements," says Dr. Kathleen Weaver of Portland, Ore., president of the American Society of Internal Medicine, "is especially important for older women because a slight shrinkage in height might be an early sign of osteoporosis"—bone loss that often sets in after menopause.

Weaver also urges women to have a Pap smear and a breast exam every year. After age 40, women should have a mammogram every other year, and after age 50, every year.

For men, Roberts recommends an annual digital rectal exam after age 40 for prostate and rectal cancer. The American Cancer Society recommends adding a PSA (prostate sensitive antigen) blood test with the annual rectal exam after age 50. The PSA test is "something you should talk to your doctor about," Roberts says. One problem with PSAs, he explains, "is that they sometimes come up with false positives or false negatives."

Colon cancer is another potential risk requiring periodic checks. "Around age 45, it's a good idea to have an occult blood [stool] test and flexible sigmoidoscopy," says Dr. Gabe Mirkin, publisher of the *Mirkin Report*, a health-care newsletter based in Silver Spring, Md. After that, if there are no symptoms, he advises, "you can have the tests done every five years or so."

The American Academy of Family Physicians recommends a total blood-cholesterol test with every physical exam. "Anything above 220 milligrams [per deciliter] should be checked at least once a year," says Jack Kalberer, a coordinator for disease prevention at the National Institutes of Health, in Bethesda, Md.

An area often overlooked is one's skin. "I always look at a patient's skin," says Weaver, "especially in areas they're not able to inspect, to see if there are any cancerous or precancerous lesions, such as funny-looking moles with irregular borders or red, scaly areas that don't seem to go away." If there is any doubt, a visit to a dermatologist is in order.

If you think your doctor may be ordering too many tests, question the need before approving them, says the People's Medical Society, a consumer group based in Allentown, Pa. You can ask, for example, if the screening is being conducted because you are a high-risk patient. Find out what the test is supposed to achieve and how reliable it is.

Moreover, Kalberer, a physiologist and an expert in preventive medicine, and others think doctors and patients should engage in "more talking and less testing." Many agree that talking about what's going on in a patient's life is important. "You should be able to talk freely with your doctor," Kalberer says, "about such things as a death in the family, depression, your sex life, how you're handling stress, whatever seems to be bothering you."

During the one-on-one talk, patients can learn how to do their own monthly checkups at home, such as looking for suspicious lumps in breasts or on testicles, and monitoring one's skin for possible early signs of cancer.

Doctors warn against commercially available self-tests because results are not always accurate and can be "needlessly frightening" or create a "false sense of security," says Mirkin.

Most important in the patient-physician talk, says Weaver, is the chance to change a patient's behavior. "If I can get someone to quit smoking, reduce the fat in their diet, do more exercise, and use the seat belt in their car, I can do more for them than I can with all the tests combined." NB



PHOTO: GJOHN HENLEY—UNIPHOTO

A good physical *should include not only a medical exam but also a patient and family history.*

Nation's Business

Reprints Help You Control Your Company Benefits, Sales, and Profits!

NEW REPRINT PACKAGES!

NEW REPRINTS



***BLOCKBUSTER TAX REFORM #9054**
Major proposals in Congress to overhaul the tax system will set off broad debate over their implications. (Page 18)

***DO-IT-YOURSELF WORKERS' COMP #9055**
A growing number of small companies are cutting costs by joining self-insured pools. (Page 26)

***PRODUCT-LIABILITY REFORM . . . MAYBE #9056**
The chances look better than ever for genuine change, but no one's relaxing yet. (Page 32)

***SMALL BUSINESS FINANCIAL ADVISER #9057**
The IRS's industry-specific scrutiny; plus reports on investments, taxes, and banking. (Page 62)

SPECIAL REPRINT PACKAGES

Six Reprints For The Price Of Five! Save 20% On Special Reprint Packages!

BUYING SMALL-BUSINESS INSURANCE (#9004) ($9.95)
- Key People, Key Protection (#8938)
- Business Insurance Will Cost You More (#8963)
- Carriers Rediscover Small Business (#8982)
- Prepare For The Worst (#8972)
- Insurance Trends Break The Cycle (#8905)
- Business Lessons From A Disaster (#8948)

QUALITY CUSTOMER SERVICE (#9007) ($9.95)
- Survival Tactics For Retailers (#8960)
- What Do Customers Think Of Your Firm? (#8942)
- Where Quality Is A Language (#8930)
- Your Secretary's Pivotal Influence (#8973)
- Call It "Supplier Satisfaction" (#9011)
- When "Just In Time" Just Isn't Enough (#8920)

RAISING CAPITAL FOR SMALL FIRMS (#9005) ($9.95)
- Creative Ways To Raise Capital (#8929)
- Helping Small Firms Borrow Money (#8874)
- Smart Ways To Manage Cash (#8901)
- Seed Funds For The Smallest Start-Ups (#8918)
- Alternative Ways To Find Capital (#8885)
- Cashing In On 504 Loans (#8986)

CURBING WORKERS' COMP COSTS (#9008) ($9.95)
- Taking Charge Of Workers' Comp (#8976)
- Fighting The High Cost Of Workers' Comp (#8783)
- Controlling Wrist And Back Injuries (#9027)
- Health Reform Aims At Workers' Comp (#8959)
- Workers' Comp Costs Out Of Control (#8895)
- Helping Injured Workers Heal (#9013)

NEW MANAGEMENT STRATEGIES FOR SMALL BUSINESS (#9006) ($9.95)
- Contract Workers: A Risky Business (#8967)
- Combating Business Crime (#8996)
- A Flexible Style Of Management (#8983)
- Re-engineering Your Company (#8992)
- Leasing Workers (#8919)
- Managing From A Distance/Telecommuting (#8934)

TOTAL QUALITY MANAGEMENT FOR SMALL BUSINESS (#9009) ($9.95)
- The Power Of Employee Empowerment (#8962)
- Quality Standards That Can Open Doors (#8920)
- How To Get Your TQM Training On Track (#8917)
- Small Firms Put Quality First (#8888)
- Turn Your Workers Into A Team (#8896)
- Creator Of Quality Habits/Stephen R. Covey (#9015)

NOTE: Individual reprints may be selected from Special Reprint Packages at the single reprint rates listed on the order form. Individual reprints are in black and white only. Color reprints may be special-ordered.

*Can't wait? For immediate service via fax, see Page 28.

Nation's Business Order Form

Send to: Reprint Manager, 1615 H Street, N.W., Washington D.C. 20062-2000

ORDER TOLL-FREE 1-800-692-4000
OR FAX 1-202-463-5641

Method of Payment
- ☐ Bill me ($9.95 Minimum)
- ☐ Check or money order enclosed
- ☐ Bill my credit card ($9.95 Minimum)
- ☐ VISA ☐ MasterCard ☐ American Express

Card # _____
Exp. Date _____
Signature _____
Name _____
Address _____
City _____
State _____ ZIP _____

QTY	REPRINT NAME AND NUMBER	UNIT PRICE	TOTAL PRICE
	SUBTOTAL		
	CA & D.C. SALES TAX		
	SHIPPING	F R E E	
	TOTAL		

REPRINT RATES

Single Reprint Rates

1 To 9 Copies	$1.99 ea.
10 To 29 Copies	$1.49 ea.
30 To 99 Copies	$1.19 ea.
100 To 999 Copies	$.99 ea.

Reprint Packages: $9.95

NB0495

Your Order Is 100% SATISFACTION GUARANTEED

Nation's Business Classified Ads

CLASSIFIED RATES AND INFORMATION

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) Fax: 202-463-3102 or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	2x	3x	6x	12x	— frequency
$64	$60	$56	$50	$36	— line rate
$890	$830	$780	$690	$480	— per inch display

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad),
Nation's Business Classified,
PO Box 1200, Washington, DC 20013.

AUTOMOTIVE

CORVETTES '53-'93. Well over 100 in one location. Free Catalog. ProTeam, Box 606, Napoleon, OH 43545. Ph. 419-592-5086 FAX: 419-592-4242. Corvettes Wanted.

BUILDINGS

STEEL BUILDINGS: From HERITAGE, delivered to your jobsite ready to bolt together. 5000 sizes; build it yourself and SAVE. Call with your building size. 1-800-643-5555. Heritage Building Systems, POB 470, N. Little Rock, AR 72115-0470.

ARE YOU COVERED !!!



SAVE UP TO 45%
The Perfect Building
While Supplies Last !!!
Buy factory Direct: 25 X 42 • 30 X 68
Build it yourself !!! 40 X 124•50 X 180
CALL TODAY
800-888-4606

BUSINESS FINANCING

COMMERCIAL LOANS TO $200 MILLION. Construction, Refinancing, Acquisitions, SBA, Leasing. "We Buy Seller financed Mortgage Notes & other Cash Flows." NATIONAL BROKERAGE SERVICES 314-524-6567

LOOKING FOR CAPITAL?

TCN introduces fast growing companies to active investors based on mutual business interests. The process is selective, efficient and confidential.

The Capital Network
(512)794-9398

BUSINESS FINANCING

$4,000,000 INVESTOR (Engineer, MBA, Marketeer) seeks non-controlling, silent or active business opportunity in USA or Canada. Earn $5,000 finder's fee. 713-561-5334.

SMALL BUSINESS 'GOVERNMENT' LOANS AVAILABLE NATIONWIDE! It's easy when you know how! Call NIC Today. We've Got the Answers! 1-800-226-3601, Ext. BF6560.

ACCOUNTS RECEIVABLE FINANCING to $1,000,000. Direct lender with offices nationwide. Call AeroFund Financial. Approvals by phone. 1-800-747-4AFI(4234).

BILLIONS OF DOLLARS AVAILABLE!
FREE GOVERNMENT GRANTS, LOANS AND MORE
CALL (24 HRS): 1-(619) 599-3502

Free Government Money! Small Business/Entrepreneur Grants. Billions Available! Any Purpose, Never Repay! Free Infopak: Grantsearch, Box 680663-NB2, San Diego, CA 92168.

Do-It-Yourself IPO

Go public & raise capital without paying a lawyer. Two new products show you how. 1. Manual shows you how to *quickly & inexpensively* go public under new SCOR rules. 2. Database of private placement & IPO underwriters shows you where to find investors for your deals. **Call 800-580-1188**

LOOKING FOR CAPITAL?

There's plenty of money available for your startup or expanding business. You just need to know where to look. CapitalBase™ is the most comprehensive, up-to-date database of capital sources available anywhere. For more than a simple directory, CapitalBase™ gives you detailed information on over 10,000 sources.

CALL FOR OUR FREE FAX BROCHURE
800-639-8841 Applied Marketing Incorporated

BUSINESS OPPORTUNITIES

RELOCATABLE BUSINESSES
Acquire established, going businesses you can relocate to your area. Mail order, publishing, distribution, other movable businesses that are for sale. Expand your horizons & your profits. For a free sample, detailed report on these businesses in the Relocatable Business newsletter, write Business Listing Service, Box 1248-NB, Highland Park, IL 60035, or call (800) 448-8567.

DRAMATICALLY CHANGE YOUR PERSONAL & FINANCIAL LIFE! Free, exciting, hour cassette. Success Essentials, PO Box 2948, Corona Hills, CA 91718-2948.

BUS. FROM HOME. Natl. rapidly expanding co. in health & fitness. Incredible success. Phenomenal potential. $200,000+ possible per yr. FREE training 1-800-434-8820.

MAKE YOUR DREAM COME TRUE. EARN $75,000 YEARLY REPAIRING, NOT REPLACING, Small Cracks in Windshields. TOLL FREE 1-800-826-8623 (US/Canada) or write: GLASS MECHANIX, 4555 NW 103 Ave, Ft. Lauderdale, FL 33351.

MEDICAL INDUSTRIES'
FASTEST GROWING SEGMENT!
BROKER MEDICAL EQUIPMENT FROM HOME
Lab-Surgery-XRay-CT-Biomedical-Surplus. Complete Start-up Guide includes industry sources, US & Foreign, trade publications, online BBS sources, sample contracts, a 500 piece equipment listing with easy to read tutorial, survey forms and invoices. MEDICAL BACKGROUND NOT NECESSARY!
Complete Start up Kit for only $79
HMS, Remarketing Guide, PO Box 3021
Pensacola, FL 32516-3021
VISA/MC 904-444-2932
FL. Residents add $5.53 sales tax.

BUSINESS OPPORTUNITIES

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000.00. Free recorded message: 707-449-8600 (HS2)

ACQUIRE MY LIFETIME SELLING SECRETS. 1-900-226-SELL $9.95 for each week's new selling secret. 18+. Business Secrets Limited, Scottsdale, AZ 1-602-817-0069.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. J1556, Woodland Hills, California 91367.

DISTRIBUTORS NEEDED - BIG PROFITS. Miniature satellite antennas for Homes, RV's, Business. Complete systems as low as $267. 1-800-686-5008.

CAPITALIZE ON CRIME! Earn amazing profits on full line of crime prevention products that sell like crazy! Free wholesale catalog. 800-735-1797, POB 10154, #NB, Yakima, WA 98909.

OWN A SUCCESSFUL BUSINESS
already earning profits up to $150,000+, No Cash Down
1-900-234-7575 ext. 7281, $1.99/min 18+

JOIN THE HOMETEAM! Home inspections are booming. Join one of the fastest growing franchises in the industry. Low invest/training provided. 800-598-5297.

Accounting, Bookkeeping, Tax, Payroll, Business Planning-Consulting, Services, Complete Mktg. & Practice Building Program. New Manual & Disk. For info call 1-800-993-7993.

CONSULTANTS. Conduct popular professional seminars. Natl. Qualification Training. Free info. Carlson Learning/Performax Field Mgr. Iris Randall 1-800-945-9140 NYC.

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST. Top finder's fees paid. Dept.495NB1, IMEA, 419 N. Newport Blvd., Ste. B, Newport Beach, CA 92663-4271. 7214-722-9260

MONEY MAKING MACHINE! Curbmate machine installs beautiful concrete lawn edging. Customers love this new product. Amazing profits from this simple cash business. 801-262-7509.

#1 MONEY MAKER Spare Time! No selling! No inventory! Publicly documented seven week $19,919 income! Free audio cassette and Report reveal everything. Real Money. 333-NBC SW 5th Street, Grants Pass, OR 97526.

WANT TO EXPORT Your Products to Mexico & Central America? Est. co. with 30+ yrs. in export sales seeks new products to market/sell. Send details: C&R, R. Reeves, PO Drawer 1216, Center, TX 75935. Fax: 409-598-7858.

THOUSANDS OF BUSINESSES
1995 Franchise Annual Directory describes over 5,300 franchisors. Explains how to investigate. 548 new listings! 'When you buy a franchise, you buy risk-reduction.' $39.95 inclusive. Money Back Guarantee. INFO FRANCHISE NEWS, 728A Center St., Lewiston, NY 14092. VISA/MC. 716-754-4669.

#1 CAREER / BUSINESS VENTURE

PROVIDE SERVICES TO ALL BUSINESSES
ACCEPTING CREDIT CARDS.
LUCRATIVE COMMISSIONS.
ONGOING RESIDUALS, F/T - P/T
ELECTRONIC PROCESSING, INC.
1-800-669-7228

BUSINESS SERVICES

Decrease Worker's Comp Costs/Increase Employee Productivity. Make your office ERGONOMICALLY CORRECT AND SAVE $$$. Call now for free catalog. 800-564-ERGO.

TELEMARKETING-PROVEN RESULTS-Market Surveys-Lead Generation-Order Entry-Referral/Locator Service-Sales/Lead Capture-Call ANSWER AMERICA Today 800-CLUB-NOW(258-2669)

BUSINESS SERVICES

Need DRUG FREE WORKPLACE?
'How to' Guide. Free info. Write: DFW, 2611 Bernwood Dr., Baton Rouge, LA 70816.

YOUR COMPANY LOGO IN BRASS
Impressive wall logos of brass, chrome, or other cost effective finishes. Free estimates. METAL LOGOS, INC.
800-846-LOGO(5646) Fax: 402-339-2311

GET PAID NOW! If you have past due accounts/bad checks, discover the secrets of professional debt collectors. Call 24 hrs: 408-261-1137 Ext. 1037 from your fax machine-receive FREE REPORT faxed to you! Request document #402.

New 800 Voice Mail Service Uses National Caller I.D. to Identify Calls From Anywhere in the U.S., Including Long Distance, Unlisted, & Blocked #'s

☎Know where sales calls or field employees call from ☎Eliminate lost sales opportunities ☎Pager Notification ☎Corporate Networks ☎Group Messages ☎Electronic secretary "Jane" sends wake up calls & reminders to any U.S. location. *Low Cost* **CIA Voice Mail 1.800.417.1296**

3-To-A-Page Business Checks
Save 30-50%
$19.95 +S&H
Enhance your company's image with unique check designs. Choose styles to fit your needs. Call Deegan Checks for a free brochure.
1-800-239-4087

PROBLEM? WORKER'S COMP
MID ATLANTIC CONSULTANTS, INC.
Introducing a Unique Solution for Worker's Compensation for Large and Small Companies. Offices Coast to Coast.
Call for Free Information:
(214)259-1022 FAX (214)259-2214

BUY IT WHOLESALE

WHOLESALE SOURCES-Direct Factory Suppliers. 29,430 American, Mexican, & Oriental products. All types, no retail. Write: Crestco-NB54, 668 Main St., Wilmington, MA 01887.

CARPET

CARPET-VINYL-HARDWOOD-BRAIDED & CUSTOM RUGS-ORIENTALS. Mill-direct. Look No Further. Guar.Lowest Prices. Warranties. Free Quotes/samples 800-548-5815, Dalton, GA.

CARPET—Save up to 50% & more on major brands. We also manufacture our own beautiful styles. For information & samples, call 1-800-848-7747, Ext. 45, Dalton, Georgia.

ABC Floor Products-Carpet, Rugs, Vinyl. Major brands. Save 30-60%. For home, office or church. Shipped direct to your door. 1-800-275-0816, Ext. 101.

CALL CARDS/LONG DISTANCE

13¢MIN, 800# OR LONG DISTANCE COAST TO COAST. Call Cards, No Fee, Intl. None Better/Proven Reliable. FiberOptic/Digital. GOOD DEAL. Check it out.1-800-564-4348.

EDUCATION

COMPLETE YOUR COLLEGE DEGREES AT HOME! Approved, self-paced, economical. Associate,Bachelors,Masters,Doctorates. Business Administration (Health Care, International Business,Human Resources, MIS), JD/Law, Psychology, Technology Management. Southern California University for Professional Studies, 1640 E. 17 St-NA, Santa Ana CA 92701. 800-477-2254.

EDUCATION

FINISH BA/MS/MBA/PhD/JD by corr. CityUniv,LA. 3960 Wilshire Blvd., LA, CA 90010. New 'College Drop-Outs' Program. Call for immed. decussion. 800-262-8388/213-382-3601.

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 yrs. of legal training. FREE CATALOG. 1-800-626-9228. BLACKSTONE SCHOOL OF LAW, PO Box 871449, Dept. NB, Dallas, TX 75287.

BACHELOR'S, MASTER'S DEGREES
by self-paced home study. Credit for formal education, life/work experience, Military service/courses. Specialized training. SOUTHWEST UNIVERSITY, 2200 Veterans Blvd., Kenner, LA 70062. (800) 433-5925 or 433-5923.

OWENS ASPHALT TECHNOLOGY UNIVERSITY. MBA, BS, MS, PhD. Approved Financial Aid Available. DEGREES: Asphalt, Pavement, Infrared, Concrete, Environmental Technology, Engineering, Health & Law, Quality Control, Marketing & Finance, Administration. Admissions: PO Box 740303, Houston, TX 77274. 713-726-0903.

NO-CLASSROOM COLLEGE DEGREE!
Earn your no-classroom college degree in Business, Liberal Arts, or Nursing using Moore's successfully refined study program. Choose from several accredited universities.
Call now for more information!
Moore Educational Publishers
3202 Bowen Run, Nashville, TN 37214-6006
(615) 883-5833 • fax (615) 883-6959
1-800-737-2222

EMPLOYMENT

EXCELLENT EXTRA INCOME! Assemble easy craft products at home. Easy/fun to do! Nation's most reputable program. Guaranteed! For Info Call 1-800-377-6000, Ext. 6560.

INTERNATIONAL CONTRACT CONSULTANT
Consult with Italian clientele on business issues. Assist licensed atty in: draft'g of domestic & intl. commercial contracts in English &/or Italian, intl. litigation disputes & intl. commercial transactions. 40 hrs., $40,000/yr. J.D. or LL.B. or foreign equivalent reqd. 2 yrs exp. or 2 yrs. exp in intl. litigation/comm'l contracts. Fluent Eng. & Italian. Send resume to Job Service of FL, 701 SW 27 Ave., RM 47, Miami, FL 33135-3014. Re: Job Order #FL1185013.

FRANCHISE OPPORTUNITIES/SERVICES

FRANCHISE YOUR BUSINESS
With the leading consulting firm in the country.
McGROW CONSULTING (800) 358-8011.

Franchise Your Business
20+ Years Experience
National Franchise Associates, Inc.
800-377-7478

FRANCHISE YOUR BUSINESS with the nation's largest & most experienced franchise consulting firm. Over 18 years in business. Attend a seminar conducted by the only management consulting firm that has helped more than 600 businesses become franchisors. Call for information about 'Franchise Your Business' Seminars scheduled throughout the country. FRANCORP, 1-800-677-1103.

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgefield Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

INTERNATIONAL BUSINESS

MARKET RESEARCH IN MEXICO
Questionnaire Design/Translation
Focus Groups/Individual Interviews
J&J Associates/212-903-4933

INVENTIONS

FREE INVENTION PACKAGE. Davison & Associates offers customized Development, Patenting & Licensing of new products & ideas. Proven results. 1-800-677-6382.

INVENTIONS

INPEX - World's largest invention show! 1500 Exhibits expected from 35 countries. Invention/technology/licensing/sales opportunities. May 18-21, 1995. Attend/Exhibit! 1-800-422-0971.

INTERNATIONAL LONG DISTANCE

ECONOMIC WORLD CALLING/THE SMART CHOICE
Low Intl. Calling Rates. 24 hrs./7 days/all year. To 200 Countries. Fiber Optic. Per min. rates: Australia-France 41¢, Germany-Japan-Italy 45¢; UK-Sweden 35¢; HongKong 51¢ etc. Intl. call back service available. You don't have to switch your current carrier. No fees, no minimum. No obligation. Call Agent: 1-800-268-5001.

LEGAL SERVICES

PATENT & TRADEMARK ATTORNEY in Boulder, CO provides quality patent & trademark services for individuals & companies nationwide via mail at affordable fixed fees.John Flanagan: 303 449-0884/Fax 303-449-3532 for free info about services.

ON YOUR MARK TRADEMARK REGISTRATIONS will prepare, file & prosecute your federal or state trademark registration application for a reasonable flat fee. No hidden hourly rates. For your free package, call 1-800-715-MARK or write to us, attn: Cherie Radcliff-Morfe, Esq., 9715 W. Broward Blvd., Ste. 301, Ft. Lauderdale, FL 33324.

MAIL ORDER

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free, exciting hour cassette. Melvan Powers, 12015 Sherman Rd. No. Hollywood, CA 91605. (818) 765-8618.

MAILING LISTS

BUSINESS/CONSUMER Lists! Fresh, responsive names. Select locally, nationally from 14 million businesses, professionals, 100 million consumers. Specialty lists, phones, & many formats of computer disks available. AMEX/MC/VISA. AccuData: (800) 732-6340.

OF SPECIAL INTEREST

FLAGS * BANNERS * FLAGPOLES * CUSTOM DESIGNS
CATALOG $2. Refundable w/order. Major credit cards accepted
THE SPIRIT FLAG COMPANY 1-800-450-FLAG

TRAVEL

Wholesale International Airfare
No advance purchase
Africa, Europe, Orient, Russia, South America, United Kingdom
Nationwide Departures
800-527-2589 ext. 124 • FAX: 214-934-9634

WATCHES

REPLICA SWISS WATCHES
18K Goldplated! Lowest Prices! 2Y Warranty
Waterproof! PH: (404) 682-0609 FX: (404) 682-1710



Timely Reminder
Special Sampler Offer—Just $19.50.
For our *deluxe* logo watch. Never-fade guarantee. *Lifetime warranty.* Specify man's or woman's size. Send your color logo on stationery or business card and $19.50 *per* watch (plus sales tax in CA only). Limit: 5 per customer. Order now.
GREAT American IMAGES
One Waters Park Drive Suite 213-NB San Mateo, CA 94403 Tel: 415-358-0800 Fax: 415-358-0543

Where I Stand



On Tax Reform

Background: Some of the most powerful leaders in Congress want to scrap the nation's income-tax system and set up a new way to raise federal revenues. See the cover story, on Page 18. The following questions seek your views on general tax-reform issues.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

1 **How do you feel about the current tax structure?**

1. Very satisfied
2. Satisfied
3. Dissatisfied
4. Very dissatisfied

2 **How important is it for a tax system to encourage savings by consumers and new investment by businesses?**

1. Very important
2. Somewhat important
3. Not important

3 **Should money put into savings or received as interest or dividends be exempt from taxation?**

1. Yes
2. No

4 **How would you view a tax change to allow writing off the costs of new buildings and equipment in the year they are incurred instead of depreciating them?**

1. Very helpful
2. Somewhat helpful
3. Not helpful

5 **How do you view keeping deductions for home-mortgage interest, property taxes, and charitable contributions in any new federal tax structure that would replace the income tax?**

1. Very important
2. Somewhat important
3. Not important; should be eliminated

6 **What would be the impact of a broad-based consumption tax—a sort of national sales tax—on your business if such a tax were to replace the federal income tax?**

1. Heavy positive impact
2. Slight positive impact
3. No impact
4. Slight negative impact
5. Heavy negative impact

Send Your Response Today!

POLL RESULTS

Readers' Views On Violence

Two out of three respondents to a *Nation's Business* poll of readers believe that employee involvement is essential in avoiding violence in the workplace.

Of those who replied to the Where I Stand poll in the February issue, 66 percent indicated that employees should be involved in devising solutions to resolve or avoid workplace-violence problems, and 67 percent said there should be counseling for workers or managers who need it.

Overall, however, violence in the workplace does not appear to be a problem among those responding to the poll. Only 3 percent said it was "a major problem," and only 9 percent reported incidents in the past three years involving a weapon or physical contact.

Only one out of five respondents said they had declined to hire someone in the past three years "because of concerns about his or her tendencies toward violence."

The cover story in the February *Nation's Business* noted that although incidents of workplace violence are rare, those that do occur can be very disruptive to the overall workplace, especially in small businesses. In the article, experts advised small-business owners to develop policies to prevent violence in the workplace and guide their actions in the event violence occurs.

Here are the complete results of the survey:

WORKPLACE VIOLENCE

How much of a problem is violence in your business?

A major problem	3%
Somewhat of a problem	12
Not a problem	85

What kind of violence have you experienced in your workplace in the past three years?

Incident(s) involving a weapon	3%
Incident(s) involving physical contact with no weapons	6
Incident(s) involving only threats	18
None	73

How much do you think employees should be involved in any solution to prevent or control workplace violence?

A great deal	66%
Somewhat	29
Not at all	5

Which of these two measures do you think is more important in responding to workplace violence?

Better physical security overall	33%
Counseling for employees or managers who need it	67

Have you declined to hire someone in the past three years because of concerns about his or her tendencies toward violence?

Yes	20%
No	80

ADVERTISERS

Send For Free Information

The following advertisers would like to send you free information about the products and services advertised in this month's Nation's Business.

3 American Life Insurance
41 Ascom Hasler Mailing Systems
9 BellSouth Corp.
10 Blue Cross Blue Shield of Alabama
20 Budget Rent a Car Corp.
16 Cowboy Chicken
31 Eagle's Nest Homes
44 Family Business Audio Program
47 GNC
8 Jani-King International
58 MAACO
12 Mail Boxes Etc.
24 Royal CopyStar
4 So.Central Bell Small Business Services
5 Southern Bell Small Business Services
11 Today's Temporary

Please circle your selections.

Fill out this coupon if you fax your response.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ ZIP _____

Mail to: Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000 • **FAX to:** 202/463-5636

Commentary

The continuing rise of nondiscretionary spending underlines the need for a balanced-budget amendment.

By Robert T. Gray

The Idea Of "Mandatory" Federal Spending Must Be Eliminated

A constitutional amendment to require a balanced federal budget has been defeated, but the problem dictating the need for it continues.

The core of this problem is that peculiar Washington concept known as mandatory, or nondiscretionary, spending.

Thirty years ago, these outlays totaled $36.4 billion, or 30 percent of the budget. Today, mandatory spending is more than $1 trillion, or 62 percent of the budget, and, if not checked, could rise to $1.35 trillion, or 70 percent of the budget, by 2000.

In commentary accompanying President Clinton's new budget proposals, the administration explains that "mandatory and related programs include direct spending and offsetting receipts whose budget authority is provided by law other than appropriations acts. These include appropriated entitlements. . . ."

In practice, that means the annual federal budget must provide sufficient funds to cover spending required under existing statutes.

Major mandatory spending categories are Social Security, welfare, health care, federal employee retirement, unemployment compensation, food assistance, veterans' benefits, and other programs generally labeled as entitlements, plus interest on the national debt.

Consider just one factor in this "mandatory" spending explosion: In 1960, federal outlays for medical care totaled $1 billion, with 90 percent of that going to veterans.

The addition of the Medicare, Medicaid, and other health programs over the years has brought that spending to $287 billion this year, with projections showing it will reach $433 billion in five years. The veterans' share of federal medical outlays has dropped to 6 percent this year.

That term "entitlement" evolved from the policy that anyone eligible for a given program is entitled to benefits and the government has no choice but to make enough funds available to cover them.

(A side effect of this policy is to put spending for such purposes as national defense and federal law enforcement into the "discretionary spending" category.)

While the concept of mandatory spending became a factor in federal budgeting well before President Clinton's arrival at the White House, his opposition to the balanced-budget amendment indicates he has not grasped the seriousness of the problem or the magnitude of the corrective action needed.



In his budget statement, he said his 1993 deficit-reduction package, which included major tax increases, had also cut entitlement spending by $71 billion over five years, "mostly in the fast-growing Medicare program."

That same budget shows, however, that Medicare spending will increase from $109 billion in 1994 to $148 billion in 1999, totaling $774 billion over the period.

The president's projections for that and other mandatory spending show that no amount of tinkering or Washington-style accounting (a latter-day alchemy that turns more spending into less) is sufficient in the face of a long-established willingness to accept the concept of mandatory spending.

Fortunately, the role of that concept in federal budgeting is not being totally ignored.

Rather than continue accepting the underlying entitlement laws as immutable, the new Republican majorities are examining many of them to determine whether they should be retained and in what form.

The GOP leaders who came to Washington promising to shrink the size of government deserve the appreciation of all taxpayers for their aggressive approach to that goal.

The need, however, is to make sure that those attitudes endure beyond the current Congress, that fiscal discipline—not ever-higher spending—is mandatory.

Congress has made various attempts at budget restraint over the past 25 years.

But these initiatives were in the form of laws that could be quickly repealed or eased when they became inconvenient.

That experience offers the most compelling argument for a balanced-budget amendment that would be beyond the vagaries of politics and the demands of special-interest groups.

After the amendment proposal failed by a single vote to gain Senate approval, Majority Leader Bob Dole announced he would bring it up again, probably at a crucial time during the 1996 presidential and congressional elections.

Many of those who voted against the amendment in March might have second thoughts if they have to take a stand on it shortly before asking voters to re-elect them.

Those who voted against the amendment must realize that this is an issue that will not go away.

The American people want a balanced-budget amendment to the Constitution, and lawmakers who ignore that demand do so at their political peril.

Robert T. Gray recently retired after 26 years with Nation's Business, *13 as editor.*

Editorial

Job Destruction Is Not A Sound Political Strategy

Even as President Clinton proclaims that job growth is important to the nation's economic health, he is taking steps to undermine that growth.

Two ill-advised labor-policy initiatives on which his administration has embarked would further erode the job-creating ability of businesses already struggling under excessive federal regulations. It is particularly distressing that the White House proposals are designed to curry political favor with organized labor regardless of their adverse economic consequences.

One initiative would deny federal contracts to companies that hired permanent replacements for strikers. The other would raise the federal minimum wage to $5.15 an hour from the present $4.25. Both proposals reflect a significant misunderstanding of how the competitive market works.



ILLUSTRATION: WILLIAM COULTER

The federal government can inject itself into the most basic relations between labor and management, even specifying pay levels and the terms under which jobs may or may not be filled. But it cannot guarantee that a given business will achieve the additional revenues to meet those wage scales or that a firm will still be in existence when workers who strike are ready to return to their jobs.

As so often happens with liberal interventions into the marketplace, political considerations are overriding basic economics.

The Clinton White House's pledge to impose a ban on striker replacements was a gift to leaders of the AFL-CIO, who are desperately trying to show that labor strategies of the 1930s can remain relevant to the high-tech, global workplace of the 21st century.

Similarly, a minimum-wage increase via legislative fiat fits in with the labor strategy of achieving its goals through government action rather than at the bargaining table.

The president has implemented his striker-replacement action via an executive order rather than by seeking legislation. Efforts to gain congressional passage of legislation barring striker replacements were defeated in the 1991-93 and 1993-95 Congresses, when Democrats controlled both houses.

Knowing it has no realistic chance of winning passage of such legislation from this Congress, with its GOP majorities, Clinton has seized on the executive-order ploy.

Business, which successfully opposed labor's attempts to win the striker-replacement ban in Congress, is fighting the back-door approach.

The National Chamber Litigation Center, the public-policy legal arm of the U.S. Chamber of Commerce, has filed a lawsuit contending that the president has exceeded his authority in issuing the executive order. "This shallow political ploy is a gross abuse of power by the administration," says Stephen A. Bokat, the Chamber's general counsel. "We will do whatever it takes to reverse this outrageous decision."

On the minimum-wage issue, the White House has no choice but to ask Congress to amend existing law.

The legislative process will provide a forum in which business will be able to make its case, which is a convincing one.

Raising the minimum wage will deny entry-level jobs to the people most eager to get them—individuals wanting to grasp the first rung of the economic-opportunity ladder.

In addition to wages, the rewards of such jobs include the acquisition of skills and attitudes needed to obtain increasingly better jobs. These jobs are the gateway through which most young people embark on a lifetime of work. When advocates of a higher wage talk of the income needs of heads of families, they are ignoring the true significance of entry-level jobs, most of which are not held by primary family wage-earners.

The Clinton initiatives on the striker-replacement and minimum-wage issues reflect not only bad economics but also bad politics. Whatever political paybacks he receives from the increasingly irrelevant leaders of organized labor, the president will find that the overwhelming majority of voters do not look kindly on policies that destroy jobs. NB

Free-Spirited Enterprise

By Janet L. Willen

Get A Job

The pain of laying off employees may be eased by helping them find a job. **Merion Associates, Inc.,** of Exton, Pa., designed a job-search program for use with groups or by individuals.

Called "How I Found a New Job in Six Weeks . . . After Being Laid Off," the nuts-and-bolts program includes a 39-minute videotape and a 52-page guide. Individual 63-page workbooks are also available. The program focuses on finding emotional support, writing a résumé and cover letter, answering ads, sending broadcast letters, managing the search, and working with recruiters.

Cost: $359.95 for the videotape, leader's guide, and presentation masters for use with overhead projectors. The



workbook costs $15.25, with quantity discounts available. For more information, call (610) 594-9746.

Coupons On Call

Not every consumer wants every discount coupon, so **Acu-Trac Services Inc.,** a marketing-promotion firm in San Diego, offers a system for putting specific coupons in the hands of those who really want them.

Cable TV companies participating in Acu-Trac's CouponSelect program give viewers a special remote control, a printer the size of a hand-held calculator, and a



cable box. During commercials of participating businesses, viewers see a light blinking on the cable box and a number on the TV screen. If they want a coupon, they push a designated button on the remote control, and a coupon is printed out.

Consumers pay nothing for the service. Local advertisers arrange payment with their cable companies. National advertisers pay Acu-Trac according to the number of coupons redeemed.

The service began in San Diego through Cox Cable in January and is expanding to other locations through other cable companies this spring.

For information on advertising, call the advertising sales office at your local cable company, or Acu-Trac at (619) 670-6141.

Sound Of Music

You leave your entertainment system at home while you're in the air, but you don't have to leave quality music behind. Porta Pro 2000 stereophones from **Koss Corp.,** of Milwaukee, are



designed for airplane travel.

These 2.98-ounce headphones collapse to fit into a leather case measuring 6¾ by 4 by 2¼ inches. The headphones plug into electronic jacks on most airplanes as well as into AM/FM radios and CD or cassette players. The company says the headphones' distortion is less than 0.1 percent.

Porta Pro 2000 comes with 3.5mm and 6.4mm adapters and oversized foam ear cushions.

Cost: $70. For more information, call 1-800-USA-KOSS, or 1-800-872-5677.

Well Said

When you're at a loss for words, **Write to the Point, Inc.,** of Highland Park, N.J., may supply inspiration.

The company provides one- and two-page faxes as well as phone tutorials of about six minutes on overcoming writer's block, preparing a letter or manual, polishing writing skills, and handling dozens of other business writing problems. You dial a toll-free number and then use the buttons on your phone to make your selections.

The faxes cost $6.95 each, and the tutorials are $9.95 apiece. Quantity discounts are available.

For a directory of documents by electronic mail, send a message to listproc@shamash.nysernet.org. And write GET WRITEHELP CATALOG in the body of the message. For more information, call 1-800-2-WRITE-2, or 1-800-297-4832.



A Health And Beauty Aid

Rx For Organization has a cure for cluttered medicine chests: the Medicine Cabinet Organizer.

This medicine-chest insert from the Canoga Park, Calif., company is a shelf system



designed to create more-flexible storage space. The unit fits into existing cabinets and attaches with self-adhesive tape. The left side of the unit has two 6-inch-wide permanent shelves for medium and large products, like mouthwash and shaving cream. The right side has four 7-inch-wide adjustable shelves. Two of the shelves have features for holding toothpaste tubes upright and hanging toothbrushes and razors.

The suggested retail price is $14.95. For more information, call 1-800-464-9900. NB

ILLUSTRATIONS: MICHAEL REDA



Becoming an American small business success story begins with a simple phone call—to The Blue Chip Enterprise Initiative®.

Through its Award Search, the Initiative seeks out and honors small businesses that have overcome challenges and emerged stronger.

Call and tell us how your small business—or one you know well—has made it through tough times. Tell us how you steered a path on the rocky road to small business success.

We'll consider your business for a Blue Chip Enterprise Initiative® award to recognize its accomplishments. Then we'll share your success story so other small businesses can benefit.

The Initiative is sponsored by Connecticut Mutual, the U.S. Chamber of Commerce and *Nation's Business* magazine. Any for-profit company with 5 to 300 employees that has been in continuous operation for at least three years is eligible.

Call us at 1-800-FOR-BCEI for an application today. Share your small business success story with America.

Connecticut Mutual
The Blue Chip Company®

Nation's Business
The Small Business Adviser

© MCMXCIV Connecticut Mutual Life Insurance Company, Hartford, CT

This is one way to make a first impression.



Fortunately, we have a more attractive sticker.

You might consider the new Chevy Cavalier on the basis of its stylish good looks, but when you look beyond that, you'll see the thoughtful engineering that makes it an excellent choice for fleet use. You'll notice safety features that are usually reserved for more expensive cars, including anti-lock brakes and dual air bags, both of which are standard on the new Cavalier. We also designed the new Cavalier to be durable. It's powered by an engine designed to go up to 100,000 miles before the first scheduled tune-up, and its base-coat/clear-coat paint reduces damage from acid rain and helps keep the Cavalier looking good. Thoughtful features let Cavalier make a good first impression. Durable engineering lets it make a lasting one. To find out more, call us at*

1-800-FLEET-OPS (353-3867).

GENUINE CHEVROLET*



*Maintenance needs vary with use and driving conditions. The Chevrolet Emblem and Cavalier are registered trademarks and Chevy is a trademark of the GM Corp.
©1994 GM Corp. All Rights Reserved. Buckle up, America!®

The Business Advocate

SUPPLEMENT TO Nation's Business APRIL 1995

U.S. Chamber of Commerce

Chamber Salutes Small Business



Rep. Jan Meyers, R-Kan., and Sen. Christopher S. "Kit" Bond, R-Mo., chairmen of the House and Senate Small Business committees, outline their panels' agendas at the U.S. Chamber's 1995 annual meeting.

The unofficial theme was "seizing opportunities" at the 1995 annual meeting of the U.S. Chamber of Commerce, held in late February at its Washington headquarters. The rise of the Republicans to the majority in Congress has presented business with opportunities to further the creation of a pro-business climate, Chamber President Richard L. Lesher told attendees.

Continued on Page 2A

See Senate vote on balanced-budget amendment, Page 7A.

■ Annual Meeting

Firms Win Blue Chip Honors





Winners of the 1995 Blue Chip Enterprise Initiative awards, in top photo, are left to right, William E. Gibbons, chairman and CEO of HOSTS Corp.; David A. Sluter, president of New England Construction Co., Inc.; Patricia A. Biedar, president and CEO of Priority Manufacturing, Inc.; and Bill Hagstrom, president and CEO of UroCor, Inc. David E. Sams Jr., far right, president and CEO of Connecticut Mutual, introduced the winners. In the photo at left, 1995-96 U.S. Chamber Chairman Dennis W. Sheehan addresses the organization's annual meeting.

Continued from Page 1A

In opening the meeting, which was attended by several hundred business leaders and broadcast by satellite to 175 downlink sites across the country, Lesher stressed that business cannot let those opportunities "slip away."

In setting forth his agenda, the Chamber's chairman for 1995-96, Dennis W. Sheehan, added that "changes needed for so long are now within our reach."

Rep. Jan Meyers, R-Kan., and Sen. Christopher S. "Kit" Bond, R-Mo., chairmen of the House and Senate Small Business committees, discussed efforts being made on Capitol Hill to "encourage the survival and growth of small businesses," such as legislation to reform the regulatory process.

Meyers urged business people to keep the pressure on lawmakers to follow through on their promise to vote on the House Republicans' 10-point Contract With America.

Sheehan presented Bond and Meyers with copies of the Chamber's National Business Agenda, a list of the organization's top 1995-96 legislative priorities that closely tracks the House GOP Contract.

Both small-business panel chairmen talked about reform of the U.S. Small Business Administration and vowed to review all SBA programs for efficiency and cost-effectiveness. Although the agency is likely to face cuts, they said, programs that are beneficial to small business will be promoted.

Bond and Meyers also saluted the four 1995 national Blue Chip Enterprise Initiative designees, who were honored during the Chamber meeting.

The Blue Chip Enterprise program, sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber, and *Nation's Business* magazine, recognizes small firms that have overcome adversity and emerged stronger.

The 1995 national honorees are HOSTS Corp., of Vancouver, Wash.; UroCor, Inc., of Oklahoma City; New England Construction Co., Inc., of Rumford, R.I.; and Priority Manufacturing, Inc., of Wood Dale, Ill.

■ Leadership

Officers Named



Sheehan



Lupberger

Dennis W. Sheehan, chairman, president, and chief executive officer of AXIA Inc., of Oak Brook, Ill., became 1995-96 chairman of the U.S. Chamber of Commerce at the federation's February board of directors meeting.

Sheehan, whose company's three divisions manufacture machinery, tools, and specialty metal products, succeeded William C. Marcil, president and chief executive officer of Forum Communications Co. and publisher of *The Forum* newspaper in Fargo, N.D. Sheehan was previously Chamber vice chairman.

The Chamber's vice chairman for 1995-96 is Edwin Lupberger, chairman and chief executive officer of Entergy Corp., of New Orleans. Entergy is one of the largest suppliers of electricity in the U.S. and the largest in the Mid-South.

Sheehan, a Chamber board member since April 1990, serves on the boards of the National Council on Crime and Delinquency, Allied Healthcare Products Inc., and the Management Association of Illinois, among others.

Some of the organizations on which Lupberger serves as a director include the Electric Power Research Institute, the Foundation for the Mid-South, and the National Collegiate Athletic Association Foundation. Lupberger has been a Chamber board member since February 1992.

Board Action

Regulatory, Welfare Policies Adopted

The board of directors of the U.S. Chamber of Commerce, meeting in late February, approved a number of policies related to legislation now moving through Congress, including two of the hottest issues: regulatory and welfare reform.

On regulatory reform, the board adopted as policy several principles to guide lawmakers and federal officials as they work toward a more efficient way of crafting and implementing regulations. The principles support:

- Basing rules and standards on state-of-the-art, peer-reviewed science.
- Reviewing existing federal regulatory laws, programs, and activities to determine which can be eliminated or run by the states.
- Shifting enforcement of federal rules from the current adversarial focus on detection of violations, including minor paperwork violations, and on the punishment of noncompliance to an emphasis instead on preventing violations and helping businesses comply with rules.
- Limiting regulatory information required of business for forms and permits to data "critically essential" to the maintenance of the regulatory function.
- Establishing an accounting system to determine the cost of regulations to the federal government, state and local governments, and the private sector.
- Setting regulatory goals within a framework that emphasizes flexibility.

The board also approved policy on reforming the welfare system that calls for a probationary period when certain federal statutes and regulations would be waived for welfare recipients hired by business.

Some laws, including the Fair Labor Standards Act and the Davis-Bacon prevailing-wage statute, said the Chamber, act as disincentives to hiring welfare recipients.

Among other actions, the Chamber board voted to:

- Support the broad concept of term limits for members of Congress.
- Reinterpret previously adopted policy to allow the organization to call for elimination of the federal minimum wage, which is currently $4.25 an hour. The Clinton administration has proposed raising it to $5.15 over two years.



Rep. Bill Archer, R-Texas, left, chairman of the House Ways and Means Committee, talks with U.S. Chamber President Richard L. Lesher, center, and 1995-96 Chamber Chairman Dennis W. Sheehan before addressing the Chamber board about spending and tax cuts his panel will consider.

- Take no position on specific spending cuts contained in any budget resolution or reconciliation bill proposed in Congress but rather focus on a budget bill or reconciliation measure as a whole.
- Support efforts to clarify and liberalize Internal Revenue Service rules on the home-office tax deduction to allow individuals to claim such a deduction if the home office is the location where "essential administrative or management activities" are conducted on a regular basis and is necessary because there is no other place to perform such activities.
- Oppose implementation of "formulary apportionment" for measuring the income of multinational corporations for U.S. income tax purposes. Such a system would allocate a portion of a multinational firm's worldwide income to its U.S.-based companies using an arbitrary formula.
- Urge Congress to include the private sector in legislation to overhaul the federal training and employment system. Specifically, business should be involved in the design, development, operation, and evaluation of the system, and should be encouraged to compete for delivery of education, employment, and training services.

Expanding To Cable



"It's Your Business," a weekly public-affairs television program produced by the U.S. Chamber of Commerce, can be seen Sundays at 6 a.m. Eastern and Pacific times on USA cable network starting April 2. The half-hour debate show also airs on more than 140 stations nationwide. A recent show on welfare reform featured, from left to right, U.S. Chamber President Richard L. Lesher, Sen. John Ashcroft, R-Mo., show moderator and Chamber Vice President for Communications Development Meryl Comer, Nancy Duff Campbell, co-president of the National Women's Law Center, and Rep. Scotty Baesler, D-Ky.

■ Growing Influence

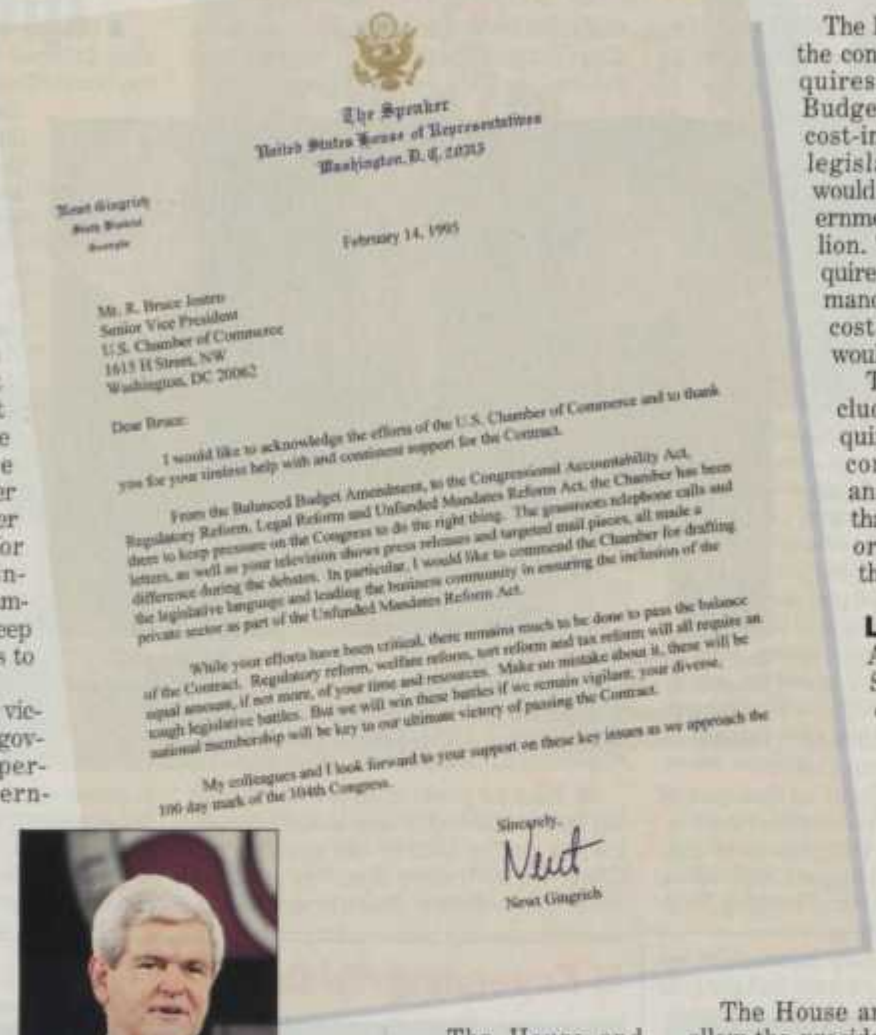
Chamber Wins Praise For Key

The U.S. Chamber of Commerce has won several major legislative victories recently on behalf of business and has received high praise from leading members of Congress for its efforts.

House Speaker Newt Gingrich, R-Ga., for example, thanked the Chamber for its "tireless help with and consistent support for" the Contract With America—the House GOP's legislative agenda—in a recent letter to Bruce Josten, Chamber senior vice president for membership policy. Gingrich noted that the Chamber "has been there to keep pressure on the Congress to do the right thing."

Among the Chamber victories are bills to limit government-required paperwork, to restrict government's ability to impose unfunded mandates on business, and to give the president authority to veto individual line items in spending measures, which were expected to be sent to President Clinton in the coming weeks.

Other priorities of the Chamber passed the House recently and were awaiting action in the Senate. Here is a rundown on the recent victories:



The Speaker
United States House of Representatives
Washington, D.C. 20515

Newt Gingrich
[illegible]

February 14, 1995

Mr. R. Bruce Josten
Senior Vice President
U.S. Chamber of Commerce
1615 H Street, NW
Washington, DC 20062

Dear Bruce:

I would like to acknowledge the efforts of the U.S. Chamber of Commerce and to thank you for your tireless help with and consistent support for the Contract.

From the Balanced Budget Amendment, to the Congressional Accountability Act, Regulatory Reform, Legal Reform and Unfunded Mandates Reform Act, the Chamber has been there to keep pressure on the Congress to do the right thing. The grassroots telephone calls and letters, as well as your television shows press releases and targeted mail pieces, all made a difference during the debates. In particular, I would like to commend the Chamber for drafting the legislative language and leading the business community in ensuring the inclusion of the private sector as part of the Unfunded Mandates Reform Act.

While your efforts have been critical, there remains much to be done to pass the balance of the Contract. Regulatory reform, welfare reform, tort reform and tax reform will all require an equal amount, if not more, of your time and resources. Make no mistake about it, these will be tough legislative battles. But we will win these battles if we remain vigilant; your diverse, national membership will be key to our ultimate victory of passing the Contract.

My colleagues and I look forward to your support on these key issues as we approach the 100 day mark of the 104th Congress.

Sincerely,
Newt
Newt Gingrich

PHOTO: T. MICHAEL KEZA

House Speaker Gingrich

Government Paperwork

The House and Senate approved legislation in March to strengthen and reauthorize the Paperwork Reduction Act, which was enacted in 1980 to limit government requests for paperwork from businesses, organizations, and individuals.

Strengthening and reauthorizing the law has been a Chamber priority since before the statute expired in 1989.

At press time, the two houses of Congress were working out differences in their respective measures. A final bill was expected to be approved before the end of March.

The House and Senate bills would reauthorize the Paperwork Reduction Act for five years, mandate annual reductions in the paperwork required by government, and require agencies to substantiate their estimates of the paperwork burden on the public via a proposed information-collection request.

Unfunded Mandates

House and Senate conference committee members agreed unanimously on a measure in March that limits Congress' ability to impose unfunded mandates on the public and private sectors.

The conference-approved bill was passed by both houses in mid-March. It was expected to be sent to the White House for Clinton's signature soon. Clinton has said he would sign such legislation.

The legislation approved by the conference committee requires the Congressional Budget Office to conduct a cost-impact analysis of any legislative proposal that would cost state or local governments more than $50 million. The measure also requires a similar analysis for mandates whose estimated cost to the private sector would exceed $100 million.

The legislation also includes a provision to require federal agencies to conduct cost-impact analyses on regulations that would cost the public or private sector more than $100 million.

Line-Item Veto

Also at press time, the Senate was set to vote on two measures that would grant the president power to strike specific spending items or targeted tax breaks in appropriations bills sent to him for signature. The House approved line-item veto legislation Feb. 6 by a 294-134 vote.

The House and Senate bills would allow the president to eliminate or reduce individual spending provisions in large appropriations bills or to strike out targeted tax breaks that would benefit fewer than 100 businesses or individuals.



PHOTO: T. MICHAEL KEZA

"You [the members of the U.S. Chamber] can all take pride in the great work the U.S. Chamber has done in supporting important legislation our country has needed for a long, long time."

— Senate Majority Leader Bob Dole

Efforts

Congress could reinstate any items eliminated or reduced by passing a bill to do so. The president could veto that bill, but Congress could override the veto with a two-thirds vote in each house.



"We want to thank the Chamber for [its] tremendous efforts for helping us [House members] pass the balanced-budget amendment, helping us pass the line-item veto. We're also looking forward to help from the Chamber in passing the rest of the Contract With America."

— Rep. John A. Boehner, R-Ohio, Republican Conference Chairman

Regulatory Reform

The House approved a bill to reauthorize and strengthen the Regulatory Flexibility Act, which requires federal agencies to examine a proposed rule's impact on small business and to rewrite the regulation if it would have a significant, adverse impact. The legislation would also allow the federal courts to enforce the statute, a concept long supported by the Chamber.

The House also passed a measure that would require federal regulatory agencies to assess the relative risks to human health and safety of activities or products to be regulated. Another House-passed bill would allow private-property owners to seek compensation if as little as 20 percent of the value of their property is "taken" through certain federal regulations or laws.

The three bills were combined, along with the Paperwork Reduction Act, and passed March 3 by a 277-141 vote. The Senate is expected to consider similar regulatory-reform measures soon.

Legal Reform

The House passed three legal-reform bills March 10. Many of the reforms have been backed by the Chamber in recent years. One bill would limit product-liability and medical-malpractice suits.

Two other bills would make it harder for investors to sue companies in which they own stock and would encourage out-of-court settlements and alternative dispute resolution by requiring plaintiffs, if they lose their case, to pay some of their opponents' legal costs.

It is uncertain when the Senate will take action on any of the legal-reform measures approved by the House.

CONTRACT WITH AMERICA

Chamber Supports		Passed House	Passed Senate
☑ 1.	**The Fiscal Responsibility Act:** ■ Send to the states a balanced-budget constitutional amendment. ■ Grant the president line-item veto authority.	☑ ☑	☐ ☐
☑ 2.	**The Taking Back Our Streets Act:** ■ Lengthen prison sentences, remove barriers to imposing and carrying out death sentences, and shift to prison construction the funds earmarked for social programs in the 1994 crime law.	☑	☐
☑ 3.	**The Personal Responsibility Act:** ■ Limit eligibility for welfare, require welfare recipients to work, discourage out-of-wedlock births, and give more control over welfare programs to the states.	☑	☐
☑ 4.	**The Family Reinforcement Act:** ■ Bolster enforcement of child support, create tax breaks for child adoption and elderly care, and increase penalties for child pornography.	☐	☐
☑ 5.	**The American Dream Restoration Act:** ■ Create a $500-per-child tax credit, ease the "marriage penalty" in the tax code, and expand IRA savings accounts.	☐	☐
☑ 6.	**The National Security Restoration Act:** ■ Prohibit defense cuts to finance social programs, develop an anti-ballistic missile system, and prohibit the use of U.S. troops in U.N. missions under foreign command.	☑	☐
☑ 7.	**The Senior Citizens Fairness Act:** ■ Permit senior citizens to earn up to $30,000 a year without losing Social Security benefits and repeal the 1993 increase in the amount of Social Security benefits subject to income tax.	☐	☐
☑ 8.	**The Job Creation and Wage Enhancement Act:** ■ Cut the capital-gains tax and reform other tax laws, including the estate and gift taxes and the alternative minimum tax. ■ Limit unfunded mandates on the public and private sectors. ■ Impose a regulatory moratorium on new federal rules. ■ Reauthorize and strengthen the Paperwork Reduction Act. ■ Adopt mechanisms, such as cost-benefit analyses, to improve regulatory efficiency.	☐ ☑ ☑ ☑ ☑	☐ ☑ ☐ ☑ ☐
☑ 9.	**The Common Sense Legal Reform Act:** ■ Reform the product-liability and civil-litigation systems. ■ Require the "loser" to pay in cases where reasonable settlements were offered but rejected. ■ Limit shareholder suits against companies.	☑ ☑ ☑	☐ ☐ ☐
☑ 10.	**The Citizen Legislature Act:** ■ Limit the terms of senators and House members.	☐	☐

Health-Care Tax Deduction

The House also voted recently to restore and make permanent the 25 percent tax deduction for health-care expenses of the self-employed and unincorporated businesses. The provision, which would be retroactive to Jan. 1, 1994, expired at the end of 1993.

The Senate is expected to approve a similar bill to make the deduction permanent and retroactive before federal taxes for 1994 are due.

■ Striker Replacement

Executive Order Challenged

The U.S. Chamber of Commerce and other business groups are suing the Clinton administration in federal court to stop a presidential executive order that bars companies that do work for the federal government from hiring permanent replacements for striking workers.

In addition to striking down the executive order, the Chamber suit seeks an immediate injunction against its enforcement.

The Chamber announced the lawsuit on March 8, the same day that President Clinton issued the order, which took effect immediately.

The order prohibits federal agencies from contracting with companies that have hired replacement workers for employees—either union or nonunion—who strike over economic conditions, such as wages and benefits.

The order applies to firms receiving federal contracts of more than $100,000.

Congress also is weighing in on the issue. At press time, legislation was pending in both houses to block the Clinton executive order on striker replacements. Votes were expected soon.

The Chamber was a leading voice in opposition to legislation proposed in the past two Congresses to ban the use of striker replacements. Those measures were approved by the House in 1991 and 1993 but defeated by the Senate in 1992 and last year.



In both years, Senate proponents twice failed to get the 60 votes needed to cut off a prolonged debate, or filibuster, of the legislation, which effectively killed the measures.

The Chamber testified before congressional panels that the legislation would have encouraged and prolonged strikes at union firms and would have made organizing nonunion companies much easier for labor unions. It also would have upset the long-standing balance between the rights of labor and management, said the Chamber.

"This is an offensive abuse of power by this administration," said Chamber President Richard L. Lesher of the executive order. "It is an outrageous attempt to circumvent the legislative process and is a blatant political payoff to [the administration's] left-wing union allies.

"The unions couldn't win this in the legislative process, and they couldn't win it at the bargaining table," Lesher said.

■ Legislation

Fight For Balanced Budget Continues

The U.S. Chamber of Commerce vowed to continue the fight for a balanced federal budget following the Senate defeat in early March of a measure on a balanced-budget amendment to the Constitution.

"What we failed to do constitutionally," said Chamber President Richard L. Lesher, "we must now do statutorily."

Several bills to require spending reductions were expected to be introduced soon in both houses of Congress. Among the likely measures is one sponsored by Sen. Phil Gramm, R-Texas, modeled after the 1980s-era Gramm-Rudman-Hollings deficit-reduction law. That statute required Congress to cut the budget by a specific amount each year until it was balanced. If lawmakers failed to make the necessary cuts, across-the-board reductions in all discretionary programs would be made automatically.

The Chamber has pushed for a constitutional balanced-budget amendment because legislative remedies, such as the Gramm-Rudman-Hollings law, were often ignored.



Martin A. Regalia, U.S. Chamber vice president and chief economist, testified before the Senate Judiciary Committee in favor of a balanced-budget amendment to the Constitution.

Senators voted 65-35 on March 2 to pass a balanced-budget resolution, but amendments to the Constitution must be approved by two-thirds of each house—67 in the Senate and 290 in the House; 38 states must approve constitutional amendments. The tally was actually 66-34, but Majority Leader Bob Dole, R-Kan., switched his vote to "no" in a procedural move to allow him to bring the matter back up at any time in the 104th Congress. (See how your senators voted on Page 7A.)

The House passed the measure Jan. 26 on a 300-132 vote.

The amendment would have required that Congress adopt an annual budget in which spending did not exceed revenues by the year 2002, or two years after the amendment was ratified by the states, whichever was later. Unbalanced budgets would have been allowed only if three-fifths of each house voted to waive the balanced-budget requirement.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

Senators Should Be Accountable For Budget Vote

Constitutional Amendment Fails By One Vote But Could Be Revived Later In Session.

Senate proponents of a balanced-budget amendment to the Constitution fell one vote short of the number needed to pass a resolution to send the amendment to the states for ratification.

Senators voted 65-35 to approve the resolution, but 67 votes are needed in the Senate to approve constitutional amendments. Senate Majority Leader Bob Dole, R-Kan., voted in favor of the amendment but changed his vote to "no" in a parliamentary move that allows him to bring the bill up for reconsideration.

The House approved the resolution Jan. 26 by a vote of 300-134. Only 290 votes were needed to pass it.

If approved by Congress, amendments to the Constitution must be ratified by 38 states before taking effect.

The U.S. Chamber of Commerce called the Senate's defeat of the balanced-budget amendment "a travesty of fiscal policy and a blatant slap in the face to American taxpayers."

"Those senators—whether Republican or Democrat—who defeated this amendment," said Chamber President Richard L. Lesher, "have chosen to defy their constituents' wishes for smaller, less-intrusive, and cost-efficient government."

Lesher had particularly harsh words for six senators, all Democrats, who voted in favor of a similar measure in 1994 but voted against this year's amendment. They are Jeff Bingaman of New Mexico, Minority Leader Thomas A. Daschle of South Dakota, Byron L. Dorgan of North Dakota, Dianne Feinstein of California, Wendell H. Ford of Kentucky, and Ernest F. Hollings of South Carolina. Lesher urged Chamber members to thank their senators if they voted for the amendment and to hold accountable senators who voted against it.

✓ For the Amendment

ALABAMA
Heflin
Shelby

ALASKA
Murkowski
Stevens

ARIZONA
Kyl
McCain

COLORADO
Brown
Campbell

DELAWARE
Biden
Roth

FLORIDA
Graham
Mack

GEORGIA
Coverdell
Nunn

IDAHO
Craig
Kempthorne

ILLINOIS
Moseley-Braun
Simon

INDIANA
Coats
Lugar

IOWA
Grassley
Harkin

KANSAS
Dole*
Kassebaum

KENTUCKY
McConnell

LOUISIANA
Breaux

MAINE
Cohen
Snowe

MICHIGAN
Abraham

MINNESOTA
Grams

MISSISSIPPI
Cochran
Lott

MISSOURI
Ashcroft
Bond

MONTANA
Baucus
Burns

NEBRASKA
Exon

NEVADA
Bryan

NEW HAMPSHIRE
Gregg
Smith

NEW MEXICO
Domenici

NEW YORK
D'Amato

NORTH CAROLINA
Faircloth
Helms

OHIO
DeWine

OKLAHOMA
Inhofe
Nickles

OREGON
Packwood

PENNSYLVANIA
Santorum
Specter

RHODE ISLAND
Chafee

SOUTH CAROLINA
Thurmond

SOUTH DAKOTA
Pressler

TENNESSEE
Frist
Thompson

TEXAS
Gramm
Hutchison

UTAH
Bennett
Hatch

VERMONT
Jeffords

VIRGINIA
Robb
Warner

WASHINGTON
Gorton

WISCONSIN
Kohl

WYOMING
Simpson
Thomas

✗ Against the Amendment

ARKANSAS
Bumpers
Pryor

CALIFORNIA
Boxer
Feinstein

CONNECTICUT
Dodd
Lieberman

HAWAII
Akaka
Inouye

KENTUCKY
Ford

LOUISIANA
Johnston

MARYLAND
Mikulski
Sarbanes

MASSACHUSETTS
Kennedy
Kerry

MICHIGAN
Levin

MINNESOTA
Wellstone

NEBRASKA
Kerrey

NEVADA
Reid

NEW JERSEY
Bradley
Lautenberg

NEW MEXICO
Bingaman

NEW YORK
Moynihan

NORTH DAKOTA
Conrad
Dorgan

OHIO
Glenn

OREGON
Hatfield

RHODE ISLAND
Pell

SOUTH CAROLINA
Hollings

SOUTH DAKOTA
Daschle

VERMONT
Leahy

WASHINGTON
Murray

WEST VIRGINIA
Byrd
Rockefeller

WISCONSIN
Feingold

**Dole switched his vote to "no" in a parliamentary move that allows him to bring the matter back up at any time.*

Chamber Fights For Repeal Of Prevailing-Wage Statute

The U.S. Chamber of Commerce is urging Congress to repeal the Davis-Bacon prevailing-wage law, and with Republicans controlling Congress for the first time in 40 years, the request is getting serious consideration.

The Davis-Bacon Act requires contractors on federally funded projects of $2,000 or more to pay their workers the area's prevailing wage, which usually is the union wage.

Sen. Nancy Landon Kassebaum, R-Kan., chairman of the Senate Labor and Human Resources Committee, and Rep. Cass Ballenger, R-N.C., are sponsoring legislation to repeal the Depression-era law. Ballenger's bill (H.R. 500) was approved March 2 by the House Economic and Educational Opportunities Subcommittee on Workforce Protections.

The subcommittee, which Ballenger chairs, also passed legislation (H.R. 246) to repeal the Service Contract Act. That law requires companies with contracts of $2,500 or more to provide services to the federal government, such as janitorial services, to pay their workers prevailing wages.

Repeal of the laws is a priority of the Chamber. During the past several Congresses, though, the business federation has had to fight proposals by pro-union lawmakers to expand the Davis-Bacon Act.



An amendment to a 1994 procurement-reform bill would have extended coverage of the wage law to a federally funded project's off-site manufacturers and suppliers and to truck drivers who made deliveries to the job site; current law applies only to workers on the job site. The 1994 amendment also would have allowed individuals and "interested parties"—most likely to be unions—to sue to enforce the statute. The amendment was defeated.

"Davis-Bacon forces taxpayers to pay considerably more for government projects," said Peter Eide, manager of human resources law and policy for the Chamber. "It costs the government billions more than is necessary for buildings, roads, bridges, and other public works."

The Congressional Budget Office has estimated that rescinding the Davis-Bacon and Service Contract acts would save the government more than $6 billion over five years.

"Davis-Bacon forces taxpayers to pay considerably more for government projects."

—U.S. Chamber's Peter Eide

The House Economic and Educational Opportunities Committee (formerly Education and Labor) is expected to vote on the repeal bills in late March or early April, with a vote by the full House shortly thereafter.

Action by the Senate Labor and Human Resources Committee on the Kassebaum repeal legislation also is expected by early April.

President Clinton has vowed to veto measures to repeal the two laws.

Call your senators and representative and urge them to repeal the Davis-Bacon and Service Contract acts. Ask them to vote for H.R. 500 and H.R. 246 and S. 141. Lawmakers can be reached through the Capitol switchboard at (202) 225-3121.

Congress Urged To Approve Legislation Establishing National Highway System

Congress will soon consider the National Highway System Designation Act, an important piece of legislation aimed at securing judicious transportation investments. Your assistance is critical in getting senators and representative to join efforts by the U.S. Chamber of Commerce to ensure continued maintenance of roads that serve business's and consumers' economic needs.

In 1991, Congress acknowledged the link between an effective surface transportation infrastructure and economic prosperity by passing the Intermodal Surface Transportation Efficiency Act (ISTEA). This landmark legislation outlined the framework of a National Highway System (NHS) to supplement the now-complete Interstate Highway System.

ISTEA gave the secretary of transportation until December 1993 to give Congress a detailed NHS priority map of 158,674 miles of highways. Under the law, Congress must consider the secretary's proposal by Sept. 30, 1995.

The Chamber believes that the proposed NHS will fulfill ISTEA's vision by providing funding for key roads that support interstate, interregional, defense, and intermodal commerce and travel.

Although the system will account only for 4 percent of America's total highway miles, it will carry an estimated 40 percent of total travel, 42 percent of rural travel, and 75 percent of commercial vehicle travel. Ninety percent of all U.S. households and 95 percent of all business will be within five miles of the NHS.

Because the NHS will provide links to the most important ports (104), major airports (143), major train stations (321), rail/truck terminals (191), military and defense-related installations (242), and national road systems in Mexico and Canada, it has garnered diverse support from transportation users and providers alike.

The Chamber believes that enactment of this legislative proposal will produce the following outcomes:

- Creation of thousands of jobs by expanding markets for American products, reducing U.S. transportation costs, increasing industrial productivity, and improving American competitiveness at home and abroad.
- Access to new business opportunities by connecting rural America with urban U.S. marketplaces and ports, making America's cultural and scenic wonders more accessible.
- Meeting the national goal of reducing the highway fatality rate by 7 percent annually.
- Advancing U.S. transportation technology and expertise.
- Improving air quality by reducing congestion in major urban areas.

In February, Sen. John Warner, R-Va., chairman of the Senate Environment and Public Works Transportation and Infrastructure Subcommittee, and 15 other senators

GAIN UPDATE

introduced an NHS bill, S. 440. House Transportation and Infrastructure Committee Chairman Bud Shuster, R-Pa., said he would introduce an NHS bill after the House completes action on the GOP Contract With America.

It is vital that Congress complete action on this legislation by the Sept. 30 congressional deadline. Failure to act will mean the loss of $13 billion in NHS funds to states in 1996 and 1997, which could translate into fewer economic benefits for the economy.

Contact your senators and representative and let them know this issue will dramatically impact the infrastructure that business and citizens depend on. Call or write your senators and request that they co-sponsor S. 440. Ask your representative to contact Rep. Shuster and become a co-sponsor of the upcoming House version of the NHS bill. For more information, contact Bob Parija at (202) 463-5528.

Extend Most-Favored-Nation Trade Status To China Without Conditions, Says Chamber

The U.S. Chamber is strongly advocating unconditional extension of most-favored-nation (MFN) trade status to goods imported from the People's Republic of China.



Congress will vote on a one-year extension in June, after receiving recommendations on this explosive issue from President Clinton.

Under the Jackson-Vanik provision of the 1974 Trade Act, Congress can extend MFN status to a nonmarket economy like China only if the president certifies that the country permits free emigration of its citizens. Although this provision technically applies only to freedom of emigration, in recent years some members of Congress have sought to employ it as a means of pressuring China into concessions on human rights, arms proliferation, and other issues.

Despite its name, MFN status is not a special privilege. It is routinely granted by the U.S. to most nations, including many with questionable records on human rights. There is no precedent for denying MFN to China on the basis of its human-rights practices, and the Chamber believes the president should exercise his authority to unconditionally renew China's MFN status.

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, U.S. Chamber specialists on legislative and regulatory issues provide activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how to become a member of this network, call (202) 463-5604.

The support of business for renewing MFN status for China is a key to ensuring the renewal is not linked by Congress to the Asian nation's human-rights record and that preservation of China-U.S. trade relations remains a high congressional priority, according to the Chamber.

Since last June, China and the U.S. have engaged in frequent battles over China's bid to join the World Trade Organization (WTO), created under the General Agreement on Tariffs and Trade, as well as over intellectual property, human rights, arms sales, and policies regarding the Republic of China on Taiwan.

The Chamber has fully supported the administration's tough stance on intellectual property, its efforts to open up China's markets, and its determination to keep China out of the WTO until that country fully commits to meeting the organization's standards. However, the Chamber does not support unraveling the underlying fabric of overall U.S.-China trade relations by linking China's MFN status to improvements in human rights.

The Chamber believes the economic consequences of denying MFN for China would be grave. China is now the world's third-largest economy and a major market and investment destination for U.S. firms. U.S. exports to China totaled about $9 billion in 1994 and accounted for more than 160,000 American jobs.

Moreover, as China develops more fully, it has and will continue to spend billions of dollars on products and services in areas where U.S. firms are very competitive. For example, over the next decade, China is likely to become a major purchaser of high-technology, aerospace, and telecommunications products, petroleum production and

The Chamber believes the economic consequences of denying MFN for China would be grave. China is now the world's third-largest economy.

refining technology, and consumer goods. These purchases will ensure that China will remain one of our fastest-growing export markets.

Neither Chinese nor American interests would be served if China were to lose MFN status as a result of concern over China's human-rights record. Revocation of this status likely would provoke retaliation against U.S. exports, putting at risk billions of dollars of U.S. sales and thousands of American jobs.

Even limited sanctions linked to improvement on human rights would endanger economic ties between the two countries and likely shut U.S. companies out of lucrative Chinese markets. This would put U.S. firms at a substantial competitive disadvantage in China because none of China's other major trading partners imposes such conditions on trade.

Denying MFN status would hurt the forces in China most sympathetic to political reform and put more power into the hands of hard-liners who favor stronger government control. This denial also would stop U.S. firms from making continued contributions to the economic development of China, helping to develop a middle class, and breaking barriers to foreign information. The best way for the United States to see a prosperous, free China is to stay commercially engaged.

Contact your senators and representative and urge their support for unconditional extension of MFN status for China. Dial the Senate switchboard at (202) 224-3121 and the House switchboard at (202) 225-3121. Or write your lawmakers at the U.S. Senate, Washington, D.C. 20510, and the U.S. House of Representatives, Washington, D.C. 20515. For more information, call Myron Brilliant at (202) 463-5460.

House To Vote Soon On Tax Cuts To Benefit Businesses, Families

The House was set to vote in late March or early April on a package of tax cuts, and the U.S. Chamber is urging lawmakers to approve the measure.

The tax package, the Contract With America Tax Relief Act of 1995, was passed by the Ways and Means Committee on March 14.

It includes many provisions long supported by the Chamber. The bill would:

- Allow individuals to exempt from taxes 50 percent of their net gains from the sale of capital assets, such as stocks. Gains would then be taxed at regular income-tax rates. Also, the value of capital assets held for more than three years would be indexed for inflation.
- Reduce the maximum tax rate for corporate capital gains, now 35 percent, to 25 percent as long as that rate is less than a company's regular tax rate. Corporations would not be eligible for the indexing provision.
- Raise from $600,000 to $750,000 over three years the amount that would be effectively free from estate and gift taxes. The value would be indexed for inflation thereafter. Currently, an estate or gift over $600,000 can be taxed at up to 55 percent.
- Allow businesses to recover more of the "historical" cost or original purchase price of capital expenditures for business property by permitting them to depreciate the cost plus inflation. Currently, the Internal Revenue Code only permits depreciation of the historical cost of business property.
- Increase from $17,500 to $35,000 the annual cost of equipment and certain other capital assets that businesses can immediately deduct from income for tax purposes. Currently, amounts over $17,500 must be depreciated over the useful life of the asset. The increase would be phased in over four years.
- Repeal the 1993 increase—from 50 to 85 percent—in the portion of Social Security benefits subject to income tax.
- Allow deductions for home-office expenses if essential administrative or management activities are conducted on a regular basis at the location and if the home office is necessary because there is no other place to perform those activities.
- Phase out the alternative minimum tax (AMT), which requires corporations and individuals to calculate their taxes without taking any tax incentives available to them. The AMT requires companies to pay some tax. It would be repealed for tax years beginning after Dec. 31, 2000.

Other provisions in the legislation would create a $500-per-child credit for families making $200,000 or less a year, a new type of individual retirement account, and tax credits of up to $5,000 for adoption expenses and up to $500 for costs for elderly care.

The bill would also increase from about $11,000 to $30,000 over five years the annual amount that can be earned by individuals age 65 to 69 before forfeiting part of their Social Security benefits.

Call your representative immediately and urge him or her to vote for the Tax Relief Act of 1995. Lawmakers can be reached through the Capitol switchboard at (202) 225-3121.

Business Opposes Proposals To Raise Minimum Wage To $5.15 An Hour

The U.S. Chamber is fighting the Clinton administration's efforts to raise the federal minimum wage.

President Clinton has proposed a 90-cent hike in the current wage rate of $4.25 an hour. Under the measure, the wage floor would increase in two steps over two years to $5.15 an hour.

The Chamber points to several studies, including one by the Carter administration's Minimum Wage Study Commission, that show that increases in the federal minimum wage cost jobs. A minimum-wage increase also would have a ripple effect on higher wage rates, the Chamber points out, noting organized labor's strong support for a hike.

At its most recent meeting in February, the business federation's board of directors voted to reinterpret previously adopted policy to allow the organization to support repeal of the federal minimum wage. The Chamber has backed expansion of the federal earned-income tax credit, rather than a wage increase, as a way to help the working poor.

During the last legislative battle on the issue in the late



1980s, the Chamber helped lead a business coalition against a wage increase. A 1989 proposal to raise the rate from $3.35 an hour to $4.55 over three years was vetoed by then-President Bush, but he later signed into law a measure increasing the wage in two steps—once in 1990 and again in 1991—from $3.35 to $4.25.

Now, however, the Chamber is likely to have an easier time defeating wage-hike legislation, with Republicans controlling Congress.

Senate Majority Leader Bob Dole, R-Kan., and House Speaker Newt Gingrich, R-Ga., indicated that committee hearings might be held on raising the minimum wage. But both said they are strongly opposed to an increase, as are Senate Labor and Human Resources Chairman Nancy Landon Kassebaum, R-Kan., and House Economic and Educational Opportunities Committee Chairman Bill Goodling, R-Pa., whose panels have jurisdiction over any wage-hike measures.

At press time, the Clinton administration had yet to introduce legislation for its version of a minimum-wage increase. But several proposals to hike the rate are pending in both houses of Congress

■ Business Ballot

Confidence In The Economy Falls

Business's confidence in the economy sank in February after reaching an all-time high in December, according to the latest poll of U.S. Chamber of Commerce members.

The Business Confidence Index was 59.0 in February, down from 65.2 in December.

The index was developed by the Chamber and is based on the results of three economic questions asked in the bimonthly Business Ballot poll. The survey asks members' six-month outlook for their firms' sales and employment and for the economy in general.

(The Business Confidence Index is the average of the indices for respondents' six-month outlooks on their sales and employment and the economy. Those indices are computed by adding the percentage of respondents who expect increases in those three categories to one-half the percentage who expect no change.)

Despite the fall from December, February's index remained well above other bimonthly indices based on the ballot in 1994. (See the chart.) Excluding December, the index had not been so high since April 1993, when it reached 59.3.



Martin A. Regalia, U.S. Chamber vice president and chief economist, interpreted the results this way: "This is another clear sign that the interest-rate increases over the past year have begun to slow the economy."

While almost 31 percent of the respondents to the latest poll said they expect the economy to improve over the next six months, 43.4 percent expect no change. In December, 46.7 percent expected improvement, and 36.2 percent expected no change.

The February "no change" percentage is the third-highest since the poll was created in May 1990. Almost 26 percent said they believe the economy will get worse, up from 17.1 percent in December.

For their own firms' sales, 46 percent expect sales to increase over the next six months, compared with 51.4 percent in December. Nearly 13 percent believe their sales will fall, compared with 9.8 percent in December, and 41.2 percent expect no change—the second-highest percentage ever in that category—compared with nearly 39 percent in December.

Respondents' hiring outlook for the next six months got somewhat bleaker after the December poll. Almost 25 percent said they expect to add employees, compared with nearly 30 percent in December. Only 8.8 percent expect to cut jobs.

Respond to this month's Business Ballot in the polybag with your Nation's Business *and* The Business Advocate.

■ Poll Results

Views Differ On Timing Of Spending, Tax Cuts

Business is split almost evenly on whether Congress should pursue spending cuts alone or spending and tax cuts together, according to the latest Business Ballot poll.

Nearly 50 percent of the respondents to the February poll said spending and tax cuts should be advanced simultaneously, while 44.5 percent said spending cuts alone should be made first. Only 5.7 percent said tax cuts should be made first.

The revenue and spending issues heated up recently when the House Ways and Means Committee began considering measures to cut a host of taxes while looking at ways to trim federal spending to pay for them.

Republican leaders in the House and Senate and President Clinton have suggested tax cuts, and all agree that the cuts must be paid for with spending cuts. They differ, however, on whether both can be accomplished at the same time. Many Republicans want to make tax and spending cuts at the same time, while Clinton wants spending cuts first.



ILLUSTRATION: NATHALIE METTER

The Business Ballot polls all U.S. Chamber members bimonthly on business-related issues and the members' economic outlook.

On two related questions, respondents viewed favorably the House Republicans' efforts to reduce the size and cost of Congress.

Nearly 63 percent of the respondents said action taken by Republicans to reduce the number of House committees and subcommittees and to cut congressional staff jobs is a move in the right direction; 37 percent said the GOP didn't go far enough. Just 0.5 percent said the move went too far.

On the House Republicans' decision to eliminate 28 taxpayer-supported congressional caucuses—groups of lawmakers set up to promote certain interests—87.9 percent said the cuts were a valid cost reduction, 4.7 percent said the cuts would hurt the representation of the constituents of the caucuses, and 7.4 percent said the cuts were "insignificant."

■ Communications

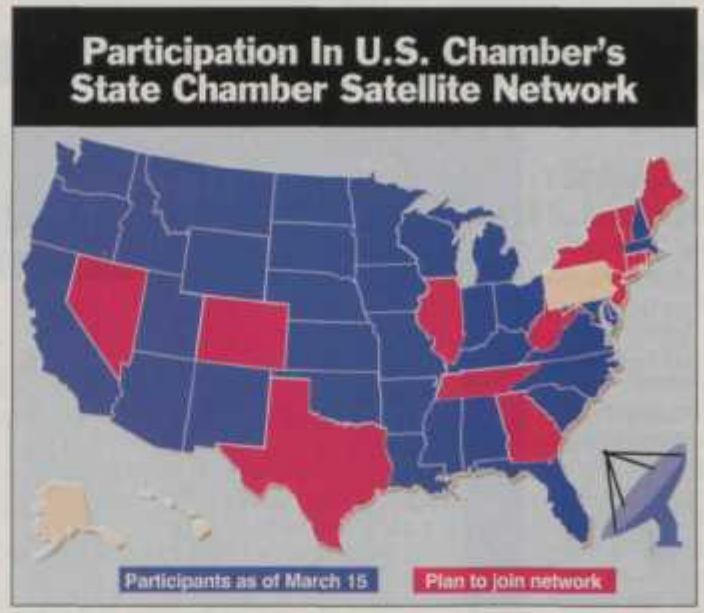
Satellite Network Expands

The U.S. Chamber of Commerce's lines of communication continue to grow as more organizations join the business federation's state satellite network.

The network now consists of chambers of commerce and other business organizations in 34 states. Organizations in several more states are expected to join the network soon, according to Richard Loomis, executive director of the Chamber's Office of Chamber of Commerce Relations. (See the map.)

Satellite dishes, which are free to participating organizations, are being donated to the U.S. Chamber by Comsat Corp., of Washington, D.C., and Radiation Systems Inc., of Sterling, Va.

The satellite network is an adjunct to the Chamber's Grassroots Action Information Network (GAIN), which links the organization with business people who are activists on legislative and regulatory issues. The network enhances the ability of business people to participate more easily in interactive town-hall-type meetings broadcast from the Chamber's Washington headquarters.



The most recent such meeting, held Feb. 7, featured House Speaker Newt Gingrich.

He explained why strong business support for items in the Contract With America is essential. A second similar meeting at the U.S. Chamber's headquarters was scheduled with the GOP leader for March 22.

The organization also regularly broadcasts its popular quality-management seminars by satellite to sites nationwide.

For more information about the satellite network, contact the U.S. Chamber's Richard Loomis at (202) 463-5580.

■ Outreach

QLS Division Changes Name

The U.S. Chamber of Commerce has changed the name of its Quality Learning Services Division to the Federation Programs and Services Division. Roger Jask, vice president for the division, says the old name was simply too narrow to represent a division whose scope has broadened significantly in the wake of the Chamber's reorganization last year. The division's mission now can be characterized as outreach to every member of the Chamber federation.



PHOTO: C. MICHAEL KEZA

The team for the new Federation Programs and Services Division is, seated left to right, Kandace Laass, director of Quality Learning Services; Carl Grant, U.S. Chamber senior vice president for communications, to whom the division reports; and Richard Loomis, executive director of the Office of Chamber of Commerce Relations. Standing left to right are Christopher Thiel, director of the Business Conferencing Department; Nancy Turnbull, director of the Institutes for Organization Management; Chrystyne Talley, with the Office of Association Relations; Roger Jask, vice president of the division; and Margaret Elgin, director of the Education Department. Not pictured is Peggy Morgan, senior manager of Business and Information Systems.

The renamed division includes not just the Quality Learning Services programs (most notably the widely praised satellite seminars on management techniques and issues) and the Institutes for Organization Management, both of which were under the QLS umbrella before the reorganization, but also the following other Chamber departments:

- Office of Association Relations.
- Office of Chamber of Commerce Relations.
- Education Department.
- Business and Information Systems.
- Business Conferencing Department.

The U.S. Chamber is a federation of individual businesses, state and local chambers, and associations—thus the "federation" emphasis in the Federation Programs and Services Division's new name. The division acts as the Chamber's liaison with 3,000 state and local chambers and 1,200 trade associations, Jask notes, providing training programs and services for all members.

Quality Learning Services will continue as the name of the department that produces the satellite seminars.

■ Education

School-Financing Program Unveiled

The U.S. Chamber of Commerce and the accounting firm of Coopers & Lybrand recently introduced a first-of-its kind financing software tool for U.S. schools.

The "Finance Analysis Model," which runs on a personal computer, is designed to help schools determine how education dollars are spent. The joint effort was announced recently at a press conference at the Chamber.



U.S. Education Secretary Richard Riley, right, discusses the Coopers & Lybrand-U.S. Chamber school-financing program with Edwin Lupberger, the Chamber's vice chairman and the chairman of its Center for Workforce Preparation, and Sheree Speakman, a partner with Coopers & Lybrand.

U.S. Education Secretary Richard Riley kicked off the conference, saying, "Business, educators, and parents need to understand that there is a real connection between the key goals of education and how we use public tax dollars."

The software was jointly developed by the Chamber's Center for Workforce Preparation and Coopers & Lybrand.

The new model incorporates the best ideas from both organizations, Edwin Lupberger, 1995-96 vice chairman of the U.S. Chamber and chairman of the Center for Workforce Preparation, told the gathering. Lupberger also is chairman and chief executive officer of Entergy Corp., a four-state utility company based in New Orleans.

"New funds for education are scarce, so schools need to watch carefully how they spend their dollars so those dollars will go as far as possible in teaching students," he noted.

The package organizes expenditures into one report that can be easily understood by teachers, parents, business leaders, and students. Designed to help districts develop an on-going, long-range portrait of their spending, the financing model distributes expenditures by category, educational program, and grade level.

Noting its importance, Denis Doyle, an education consultant and author, told the gathering that the financing model will be one of "the great defining moments of education."

The center intends to work through the U.S. Chamber network of 3,000 state and local chambers to generate community support for the financing model. The cost of the software package will be about $1,000.

For information, call Larry Maloney at the Center for Workforce Preparation at (202) 463-5535.

■ Testimony

Water Law Needs Flexibility

Congress should give more weight to cost effectiveness and flexibility for industry as it fine-tunes the 23-year-old Clean Water Act, the U.S. Chamber of Commerce told members of a House subcommittee recently.

Carol Bennett Lindsey, testifying for the organization, told lawmakers: "Our members have expressed concern that intensified EPA regulation, new standards, timetables, and additional layers of bureaucracy often do not actually result in improved water quality."

Rather, she said, the government's efforts "have restricted economic development and imposed costly new mandates on local communities."



U.S. Chamber member Carol Bennett Lindsey urges a House transportation and infrastructure subcommittee to consider cost effectiveness and flexibility in rewriting the Clean Water Act.

Lindsey is president of Ozark International Consulting of Fayetteville, Ark. Her testimony came in February before a subcommittee of the House Transportation and Infrastructure Committee.

Rep. Bud Shuster, R-Pa., chairman of the committee, introduced a comprehensive clean-water bill Feb. 15.

In the Senate, John Chafee, R-R.I., chairman of the Environment and Public Works Committee, is likely to move forward in a more piecemeal fashion.

For the recent House subcommittee hearing, the Chamber coordinated a six-member panel of witnesses to provide lawmakers with a range of views on how the revisions could help industry. It arranged for the panel through the broad-based Clean Water Industry Coalition, which the Chamber leads.

Lindsey told lawmakers she is particularly concerned that inflexible provisions of the current law can harm businesses in rural areas, such as those she serves in her environmental consulting work.

Regulators also need to place a greater emphasis on science in determining environmental priorities, Lindsey said. Water discharge rules, she added, should be based on scientific indication of which types of pollutants pose the greatest risks to public health.

■ Media

Chamber Provides Forum For Reformers' Views

The U.S. Chamber of Commerce has become a major forum through which federal lawmakers are choosing to convey their views to American business and the public.

In early February, House Speaker Newt Gingrich, R-Ga., was at the Chamber to urge support for the GOP Contract With America. His town hall meeting at the business federation's headquarters in Washington was broadcast by BizNet, the Chamber's television operation, by satellite to more than 3,000 downlink sites throughout the country.

Gingrich was set to hold another town hall meeting on the Contract at the Chamber on March 22, bringing with him members of the House Republican leadership and key committee chairmen.

Rep. E. Clay Shaw Jr., R-Fla., chose the Chamber to announce on Feb. 9 the introduction of the House Republicans' welfare-reform legislation. Shaw is chairman of the Ways and Means Subcommittee on Human Resources and is shepherding the bill through the House.

Members of the Washington press corps covered the February Gingrich event and the welfare news conference. Below is a sampling of media coverage.



The Wall Street Journal
Friday, February 10, 1995

Welfare Bill From House GOP Seeks Freeze to Fund Tax Breaks

By Hilary Stout
Staff reporter of THE WALL STREET JOURNAL

Washington – The House Republican leadership is proposing to cut welfare spending to fiscal 1994 levels and freeze it for the next five years to help fund the party's tax-break and deficit-reduction priorities.

Rep. Clay Shaw (R., Fla.), chairm[an] of a House subcommittee that will begin w[ork] welfare legislation next week, unve[il] leadership's welfare bill in a speec[h] U.S. Chamber of Commerce yesterda[y] acted, it would wring more than $3[0] an array of federal antipoverty [pro]

WASHINGTON (AP) - House Speaker Newt Gingrich is offering the nation's business executives new leverage in their dealings with the federal bureaucracy.

If executives don't like what they're hearing, they can call Gingrich's office and he will consider embarrassing the bureaucrats at a "corrections day"—a new procedure he is planning to start in March.

Gingrich, R-Ga., told the U.S. Chamber of Commerce on Tuesday the he wants to devote one day a week to passing "correction bills" that undo what he calls "dumb" or "destructive" things the government does.

"It will mean that every time that a city or a state or an industry goes in to negotiate, you'll be able to say to the bureaucrats, 'Look, if you don't want to be reasonable, we'll just [take] ... ections day.'"

Gingrich said to loud applause [from] ...

"If it's an agency ... times in the last month ... use otherwise ..." he said at ... articipating ...

WASHINGTON, Feb 7 (Reuter) - U.S. House Speaker Newt Gingrich, R-Ga., said he opposes the minimum wage increased proposed by President Clinton because he believes it would eliminate the jobs of at least 100,000 of the poorest workers.

"The president has it economically exactly backwards," Gingrich said in ... rks at a U.S. Chamber of Commerce forum.

Asked if h[e] ... a deal to trade a minimum ... gains taxes, as Senate ... Gingrich replied, ...

The New York Times
Friday, February 10, 1995

Republicans Advance Proposal To Replace the Welfare System

By ROBERT PEAR
Special to The New York Times

WASHINGTON, FEB. 9 — House Republican leaders moved today to undo more than a half-century of social welfare policy by proposing to eliminate the right of poor women and children to receive cash assistance from the Government.

In place of the welfare program established 60 years ago as part of the Social Security Act, Republicans said they wanted to make a lump sum payment of $15.3 billion a year for the states to use "in any manner reasonably calculated" to assist needy families with children. This represents the amount spent in 1994; there would be no al-

lowance for inflation. ... would no longer be au[to]matically available to people ... certain eligibility crite[ria]

Republican leader[s] ... their commitment ... hotly debated feat[ure] ... proposal, which ... cash assistance t[o] ... thousands of unm[arried] ... mothers and to n[ew] ... including legal ...

These provi[sions] ... today with ... Representativ[es] ... Republican ... ately encou[r]age criticism ... Republicans, ... abortion and from ... fenders of child welfare pro[grams]

In a speech at the United States Chamber of Commerce, Mr. Shaw, who is chairman of the Ways and Means Subcommittee on Human Resources, said ...

Washington Edition/
Los Angeles Times
Wednesday, February 8, 1995

GOP Sees Dim Prospects for Amendment on Term Limits

By Melissa Healy
Times Staff Writer

Washington – House Speaker Newt Gingrich (R-Ga.) acknowledge Tuesday for the first time that prospects are dim for congressional approval of a constitutional amendment limiting terms of federal lawmakers—one of the central promises of the GOP's "contract with America."

Confronted with the prospect of Republican defections and a potentially humiliating defeat on the House floor, Gingrich said that House Republicans are considering an alternative that would allow each state to set term limits for its federal lawmakers, rather than have Congress impose a national standard.

Such language, which mirrors a proposal made by Sen. Hank Brown (R-Colo.), would fall far short of the two term-limits measures outlined by Republicans in their 10-point campaign manifesto. Those would impose constitutional term limits on all federal lawmakers—a maximum of 12 years for senators and six to 12 years for House members.

The alternative Gingrich outlined Tuesday at a national town meeting sponsored by the U.S. Chamber of Commerce would leave to the 50 states the task of es-

CLASSIFIED ADVERTISING The Nation's Market Place

BOOKS/PUBLICATIONS

FREE COPY: "THE INCOME BOOK." Make Extra Money. Write: FRAZIERS, 3-E Cedar, Fair Haven, VT 05743.

BUSINESS OPPORTUNITIES

FREE 900# GUARANTEED
1-800-775-0712 Ext. 3733
and earn $15,000 a month

$10,000 MONTHLY WITH YOUR Very Own 900#. FREE DETAILS. W. Hansen, PO Box 1369-(J), Shasta Lake, CA 96019.

YOU CAN BE WEALTHY!
Money Making Secrets Revealed! Write: NWD, 635 Woodbine Drive East, Carmel, IN 46033.

$100,000 PLUS POTENTIAL! Easy, Legal Home Business. $2.00 + SASE to: CA&M ENTERPRISES, PO Box 42-8775, Cincinnati, OH 45242-8775.

GET PAID $268.20/ROLL Taking Easy Snapshots! Film Supplied. Phototek, Box 2457-(BA), Pinecove, CA 92549. 909-659-9757, Extension 122BA.

FREE INFORMATION! HOW to Start Your First Business! Write: Texstar, Dept. A59, 6202 Maywood Forest, Houston, TX 77088. FAX (713) 448-8186.

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000. Free recorded message: 707-448-0270 (MX1).

CASH IN BY Cleaning UP! Start new "cleaning service" dirt-cheap. Immediate earnings! Free information: CONTEMPO PRODUCTS, 4020 N. MacArthur Blvd., Suite 122-273, Dept. 946, Irving, TX 75033.

NETWORK MARKETING IS GOLD. 100 New Distributors Weekly. Network Gold is Profit Power Software. Copyrighted, Legal. Promoted Worldwide, IBM required. US $10 to: Steve Dunbar, PO Box 6263, Dunedin, New Zealand.

FREE UNIQUE INFORMATION! Our ministry will teach Christian oriented people how to become debt free in privacy of home. Write: M. Santella, Dept. 88, PO Box 785, Marlborough, MA 01752-0785. 508-562-3012.

RICHES IN THE VIDEO BUSINESS
Earn Up To $600 A Day - Everyday - As A Videographer. Easy To Start. Special Report. Rush $5.00 To: Edward A. Davis, 422 Butternut Street, Suite 8-(BA), Washington, DC 20012.

RELOCATABLE BUSINESSES
Acquire established, going businesses you can relocate to your own area. Mail order, publishing, distribution, other movable businesses that are for sale. Expand your horizons and your profits. For a free sample, detailed report on these businesses in the Relocatable Business newsletter, write Business Listing Services, Box 1248-NB, Highland Park, IL 60035. (800) 448-8567.

EXTRA INCOME SELLING NEW Home Decor Party Plan - Your Finishing Touch. Send $3.00 For 500+ Item Catalog and Details. YFT, RR3, Box 382, Muncy, PA 17756. No Investment, Collecting Or Delivering.

MAKE MONEY THE EASY WAY
Honest, remarkable plan reveals all. A chance for you to enjoy Big-Bucks starting from the scratch. For free information
K:K Enterprises
1223-6 Knossos Drive
Whitehall, PA 18052

"MAKE BIG BUCKS"
With your own 900#.
Just $42.95 total cost.
No monthly fees.
No start up cost.
SASE. 900#, 808 S. Mallard, Las Vegas, NV 89107

START YOUR OWN HOME BUSINESS, OR WORK AT HOME!
SEND $1, SASE
1230 HAIRSTON, 25A123-A, STONE MOUNTAIN, GA 30088

EMPLOYMENT

NEW HOME BUSINESS
Unlimited Income! Details: Thomas, Box 941184-BG, Atlanta, GA 31141.

JOIN THE WORK at home explosion. Learn realistic ways. FREE Details. Weber-(BA), Box 221690, Newhall, CA 91322.

GUIDE TO HOME Employment For Free Information Rush Self Addressed Stamped envelope to: Alternative Options, Box 474E, Oneonta, NY 13820.

FINANCIAL SERVICES

SECRET LAW GUARANTEES Lowest Prescription Drug Prices in America. Free Details! DPC, Box 1062-A, Golden, CO 80402.

ATTENTION BUSINESSES!
ACCEPT personal and business check payments over the telephone. Increase your sales dramatically. For more information call authorized agent at 1-800-568-3113.

FURNITURE

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE!
Call/write Loftin Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
Call TOLL FREE 1-800-334-7398
(in NC, 919-472-6117)
NATIONWIDE HOME DELIVERY

LONG DISTANCE

13 MIN. 800# OR LONG DISTANCE COAST TO COAST. Call Cards No Fee. Intl. None Better/Proven reliable. Fiber Optic/Digital. Good Deal. Check it out! 1-800-564-4348.

MAIL LISTS

MAILING LISTS
Very fresh, super responsive! 90 day - $1 refund per note. Zip sorted on peel and stick labels.
100-$10.00 200-$17.50 500-$32.50
1000-$60.00 2000-$110.00
REMEMBRANCES
M&S NOVELTIES
Drawer 458, Offer #70 • Cranford, NJ 07016

MONEYMAKING OPPORTUNITIES

EARN $3,000.00 MONTHLY BY FAX
FREE DETAILS
FAX INQUIRIES TO: 412-343-5643

BUY GOLD FOR $200 Per Ounce
Send $10 For Report: M. Court, PO Box 901, Chippewa Falls, WI 54729.

EARN MONEY AT HOME. Guide to Home Employment. SASE to: Perkins, V., Box 94, Barton, VT 05822.

EARN $1500 FOR a few hours work monthly! Write: VeroRich, Box 9017, Naples, FL 33941.

1000% PROFIT ON valuable information about mailorder. 2012-BA South Pearl, Denver, CO 80210.

EARN $550 WEEKLY. Send self addressed stamped envelope to: Executive Total Care, PO Box 47127, Oak Park, MI 48237.

GET RICH SELLING information by mail. 1000% profit. Details - Miller's, 8186-G Pinto Drive, Lake Worth, FL 33467.

WORK AT HOME. Over 1,000 Businesses Need Your Help. Send $1.00 to: TJC-(BA), 5255 Edgewood Avenue, Crystal, MN 55428.

MAKE 1,000'S In Homebased Business. Make Money Everytime Someone Buys Groceries. AZAM, 8616 Santa Margarita, La Palma, CA 90623.

ENVELOPE STUFFING - OPPORTUNITY Or Scam? Investigative Report - $5.00 and SASE: WESTWIND, Box 150, Masonville, CO 80541.

GET YOUR OWN 900# FREE!
$10,000 monthly possible!
Call 201-853-1770

HOW TO EARN $75,000/Year! 14 Really Hot Moneymaking Plans For Your Own PC. Only $7.50! SKA DISTRIBUTORS, 6066 Shingle Creek Parkway, #197-C, Brooklyn Center, MN 55430.

MONEYMAKING OPPORTUNITY - YOUR OWN 900# free. $10K monthly possible. Write today for FREE information: Benjamin Harris, 1-B Quaker Ridge Road, Suite 223M, New Rochelle, NY 10804.

BE YOUR OWN BOSS. Make big money with over 2500 items. $5 brings giant catalog, refunded with first order. Make 2 or 3 times your cost on hundreds of items. Gifts, Novelties, Toys, Carded Merchandise. Virginia Malloy, 815 East 152 Street, Apt. 7F, Bronx, NY 10455.

STRIKE IT RICH! Don't waste time and money trying those (get rich quick) scams. Learn what those various programs offer. Learn their facts, techniques, then learn vital tips to start your own homebased wealth plan immediately. Order this revealing booklet only $6.00 to: METCO, Box 600326, San Diego, CA 92160.

HOW VIETNAM COMPANY DIRECTORY can make you really rich! Send for ALL-BENEFIT detail-demonstrated sample directory. All inquiries are welcomed. Limited Time. Please include a refundable (toward full directory order) $4.00. TRAN TOURISM & TRADING CORPORATION, 9-(BA) Morris Park Lane, East Hampton, NY 11937.

PRINTING

PRINTING SAVE $$$
HIGH QUALITY — LOW PRICE
FULL SERVICE: Business cards, letterhead, envelopes, brochures, fliers, labels, balloons, pens, etc. For a full color catalog send $3.00 to: EASY PRINT
P.O. Box 2044-(BA)
CHESTERFIELD VA 23832-2044

OF SPECIAL INTEREST

INVESTIGATE BEFORE YOU INVEST.
Details Free:
PO Box 383, Kirkland, WA 98083

MAILORDER REPORTS REVEAL Wealth Building Secrets. Rush $1.00 for details. Lyn-Laine Publishing (BA), 1865 Grandview Avenue, West Portsmouth, OH 45663.

DISABLED? GOVERNMENT HELP For Disabled Persons Available. Make sure you're getting all you are entitled to. Many secrets revealed. Free details. Send SASE to: JB Press, 31331 Hogans Mountain Road, Coarsegold, CA 93614.

SECRETS REVEALED!
GUARANTEED, BUY CARS, TRUCKS, MOTORCYCLES, Computers, even houses dirt cheap from US Govt. Keep or resell. HUGE profits. Extensive details $3.00. It's Amazing. Rush to: D&M CONNECTIONS, 527 N. Azusa Avenue, Dept. 386D, Covina, CA 91722.

U.S. Chamber MemberServices

The U.S. Chamber of Commerce offers numerous services and publications to its members. Here is a partial listing of these benefits.

Bringing Out The Best In People



Judith Briles

An upcoming satellite seminar sponsored by the Chamber will focus on how men and women communicate differently and on how to bring out the best in "difficult" people. The management seminar, "Workplace Communications—The Gaps and Traps," will air from 1 to 3 p.m. Eastern time on April 11.

The first part of the two-part seminar will be conducted by Judith Briles, a management consultant from Denver. Management consultants Rick Brinkman of Portland, Ore., and Rick Kirschner of Ashland, Ore., will present the second part.

For more information, including prices for downlinks and taping rights, call 1-800-835-4730 or (202) 463-5940.

Other forthcoming seminars, with the date, subject, and presenter of each, are:

April 18—"The Seven Habits—Becoming a Transition Person," R. Craig Pace, Covey Leadership Center.

May 2—"The Leader In You: Leadership Strategies for the '90s," Stuart Levine, chief executive officer of Dale Carnegie & Associates, Inc.

May 23—"Re-engineering Management: A Mandate for New Leadership," James Champy, chairman of CSC Consulting.

Re-engineering For Quality

A three-day seminar on "Re-engineering Process for Competitive Advantage" is scheduled for April 18-20 at the U.S. Chamber of Commerce, in Washington. The seminar, offered jointly by the Chamber and the Juran Institute, has been tailored to the needs of chief executive officers and other high-level executives.

The Juran Institute, based in Wilton, Conn., is an internationally recognized center for research, consulting, and training in managing for quality. Seminar participants will learn how to redesign key business processes to improve product and service quality and strengthen customer loyalty.

U.S. Chamber members can attend the seminar at a discounted price. To register, or for more information, call the Chamber's Business Conferencing Department at (202) 778-2401 or the Juran Institute at (203) 834-1700.

Handbook On The '95-'96 Congress

The new *1995 Congressional Handbook* published by the U.S. Chamber includes the Washington phone, fax, and office numbers for U.S. senators and representatives and the addresses and telephone numbers of the lawmakers' district offices. Also included are lawmakers' photographs, committee and subcommittee assignments, and key staff members.

Legislators are listed alphabetically, by state, and by committee.

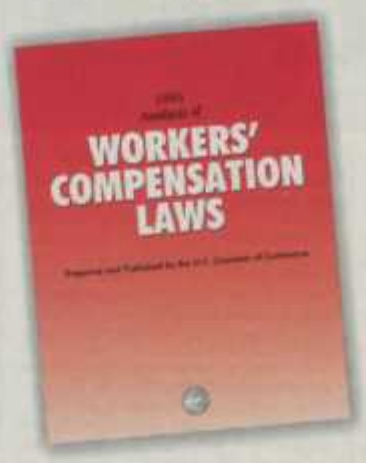
A directory of addresses and telephone numbers for the White House, Cabinet-level agencies, and state governors also is included.

The handbook costs $6.50 for U.S. Chamber members and $10 for nonmembers. Bulk-order discounts are available. To order, call 1-800-638-6582. In Maryland, call 1-800-352-1450. Request publication No. 0423.

Latest Analysis On Workers' Comp

The U.S. Chamber's *1995 Analysis Of Workers' Compensation Laws*—just off the press—contains summaries of the workers' comp laws in the 50 states, the District of Columbia, U.S. territories, and the Canadian provinces. The publication, with up-to-date information on workers' comp laws and indemnity benefit levels, also includes charts on the various jurisdictions' income benefits, coverage, insurance, and legal requirements.

The publication is $15 for members and $25 for nonmembers. Bulk-order discounts are available. To



order, write to the U.S. Chamber of Commerce, Publications Fulfillment, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-638-6582. In Maryland, call 1-800-352-1450. Request publication No. 0410.

A supplement to the 1995 analysis, which details legislative changes in workers' comp laws made from the beginning of the year to July 1, will be available in September. The supplement is $8 for members and $11 for nonmembers.

Legislative Priorities



A 62-page booklet detailing the U.S. Chamber's legislative priorities for 1995-96 is available for $7.50 for members of the organization and $10 for nonmembers.

The priorities, selected through a survey of the Chamber's 220,000 members and embodied in the business federation's National Business Agenda, are listed alphabetically in the guide. Each listing outlines why the matter is important to business, the Chamber position on the issue, and opposing views. Copies of the agenda were sent to members of Congress and the Clinton administration.

For a copy, call 1-800-638-6582. In Maryland, call 1-800-352-1450. Request publication No. 0424. (Discounts are available for bulk orders.)

Time-Management Seminar Slated

The Chamber is offering to its members at a discounted price a seminar on time management. The seminar is being conducted by Franklin Quest Co., which has taught more than 2.5 million people how to control demands on their time and to reach their goals every day.

Materials about the seminar, including the times and locations in your area, are being mailed to all U.S. Chamber members. For more information about the seminar, which regularly costs $190 a person but is being offered to Chamber members for $180, call the Chamber's Business Conferencing Department at (202) 778-2401.

Studio Rentals

The Chamber's television facilities in Washington, D.C., can be rented for videoconferences, professional briefings, and other programs. For more information, contact Suzi Montes de Oca at (202) 463-5921.

Education Loans

The Chamber's ConSern: Loans for Education program provides private credit-based long-term loans to Chamber members and their employees for college and secondary school. To become a ConSern sponsor or for information, call 1-800-697-LOAN (1-800-697-5626).

Export-Import Information

Numerous publications on international agreements, exporting, and other trade subjects are available from the Chamber's International Division. For details, call (202) 463-5460.